



2014/2015

ANNUAL IDP, BUDGET AND  
SUPPORTING DOCUMENTATION  
OF MOGALE CITY LOCAL  
MUNICIPALITY

ANNUAL BUDGET OF

# MOGALE CITY LOCAL MUNICIPALITY

2014/15 TO 2016/2017  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS

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## Part 1 – Annual Budget

### 1.1 Introduction

“The 2014 Budget Review notes that while twenty years of democracy have brought enduring achievements for South Africa, there is no room for complacency. To overcome apartheid’s spatial legacy, the provision of housing and social infrastructure needs to be improved, and planning frameworks across government strengthened. The budget policy framework for the next three years is designed to manage risk in a constrained fiscal environment, while building a foundation for economic growth which is supported by the implementation of the National Development Plan (NDP). Although South Africa’s economy has expanded over the past years, the rate of growth has steadily declined, from 2.5 per cent of GDP in 2012 to 1.8 per cent in 2013; it is however projected to increase to 2.7 per cent in 2014, and gradually increase to 3.5 per cent by 2016. This trend reflects a confluence of unfavourable global and domestic circumstances which impact on all spheres of government. Aware of these risks, government is maintaining its expenditure ceiling and no additional funds have been added to the total expenditure announced in last year’s Budget. Inflation and a nominal spending ceiling will put real budgets under pressure over the medium term, requiring all spheres of government to work more efficiently”.

“The NDP has been implemented to create a framework to accelerate economic growth, eliminate poverty and reduce inequality. The budget policy framework presented by Minister of Finance for the next three years reflects greater alignment with the plan, as spending programmes begin to address economic constraints and the need for greater state efficiency. The NDP identifies a number of microeconomic reforms needed to boost economic growth. These include reducing the cost of living for poor households and the costs of doing business, support for small, medium and micro enterprises (SMMEs), entrepreneurs and business start-ups, a greener and more sustainable economy, support for local production and employment through government procurement and broadening and strengthening industrial development”.

“Municipalities are reminded to revise their spending plans and reprioritise funds to ensure key objectives are achieved and well-performing programmes are supported. Expenditure plans need to reflect both the medium-term investment plans and long-term goals identified in the NDP. **Over the next three years, government as a whole will have to learn to do more with less.** The efficiencies that are achieved will protect public finances and enable the country to accelerate development when economic conditions improve. Local government must ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform the planning framework of all municipalities. Consequently, municipal revenues and cash flows are expected to remain under pressure in 2014/15 **and municipalities must adopt a conservative approach when projecting their expected revenues and cash receipts.** Source (MFMA Circular No. 72)

The goal should be to enhance service delivery aimed at improving the quality of life for all people within Mogale City. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. The need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms is vital.

During the 2014/15 financial year we hope to raise R2 002 159 277 in billed revenue and operational grants, excluding capital grants of R119 160 800. Of the R2 121 320 077 revenue anticipated R2 389 954 271 will be spent on operational budget to deliver services like water, electricity distribution, sanitation and sewerage and refuse removal. The rest amounting R462 472 814 will be spent on capital budget to achieve the following objectives.

1. To provide sustainable services to the community.
2. To promote sustainable environmental management.
3. To provide sustainable governance to the local communities.
4. To ensure sustainable governance practices within the Municipality.

In compiling this 2014/15 annual budget was in line with the Strategic Plan which was revised in January 2014 and reconciled with the IDP. Community consultations were held in November 2013 and inputs from the community of Mogale City were gathered and used to inform the IDP. On operational budget however some of the items like bulk purchases and employee related costs are predetermined.



## 1.2 Recommended to the Municipal Council

1. That the draft annual IDP, Budget of Mogale City Local Municipality for the financial year 2014/15 and the indicative estimates for the two projected outer years 2015/16 and 2016/17, as set out in the schedules listed below be **tabled** in order to present these proposals to stakeholders for consultation:
  - 1.1. The annual IDP, Budget of the municipality for the financial year 2014/15 and the multi-year and single year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 15 (**MBRR Table A2**) on page 33 ;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 16 (**MBRR Table A3**) on page 35 ;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 18 (**MBRR Table A4**) on page 37; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 19 (**MBRR Table A5**) on page 40.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be tabled as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 20 (**MBRR Table A6**) on page 42 ;
    - 1.2.2. Budgeted Cash Flows as contained in Table 21 (**MBRR Table A7**) on page 44;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 22 (**MBRR Table A8**) on page 44;
    - 1.2.4. Asset management as contained in Table 23 (**MBRR Table A9**) on page 46;
    - 1.2.5. Basic service delivery measurement as contained in Table 24 (**MBRR Table A10**) on page 48.
2. The Council of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the following tariffs:
  - 2.1. the tariffs for electricity – as set out in Schedule 3 on pages 70-72
  - 2.2. the tariffs for the supply of water – as set out in Schedule 3 on pages 73-75
  - 2.3. the tariffs for sanitation services – as set out in Schedule 3 on pages 76-77
  - 2.4. the tariffs for property rates – as set out in Schedule 3 on page 78
  - 2.5. the tariffs for solid waste removal – as set out in Schedule 3 on pages 79-80
3. The Council of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the tariffs for other services, as set out in Schedule 3 on pages 81-103 respectively.
4. The Council of Mogale City Local Municipality, in terms of Section 5 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the reviewed rates policy for public participation.
5. The Council of Mogale City Local Municipality, in terms of Section 6 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the rates By-laws to give effect to the rates policy for public participation.

6. That the municipality be permitted to start with the process of acquiring a long-term loan over 15 years for the funding of the infrastructure assets in respect of the 2014/15 financial year for R239 500 000,
7. That the following budget related policies be tabled for public participation:
  1. Annexure 1: Property Rates Policy
  2. Annexure 2: Property Rates By-Laws
  3. Annexure 3: Borrowing Policy
  4. Annexure 4: Budget Management Policy
  5. Annexure 5: Adjustment Budget Policy
  6. Annexure 6: Cash Management & Investment Policy
  7. Annexure 7: Long Term Planning Policy
  8. Annexure 8: Credit Control & Debt Collection Policy
  9. Annexure 9: Indigent Management Policy
  10. Annexure 10: Unauthorised Irregular Fruitless & Wasteful Expenditure Management
  11. Annexure 11: 1% Social Responsibility Policy
  12. Annexure 12: Supply Chain Management Policy
  13. Annexure 13: Waste Management Tariff Policy
  14. Annexure 14: Draft 5 year IDP
  15. Annexure 15: Draft 2014/15 SDBIP
8. That the following budget related policies be noted as were approved during the past financial years and remain in force for the 2014/15 financial year:
  1. Immovable Property, Plant & Equipment Policy
  2. Write Off Policy
  3. Sports & Recreation Facilities Tariff Policy
  4. General Tariff Policy
  5. Virement Policy
  6. Funding & Reserves Policy
  7. Directives for Deviations from the normal SCM Process
  8. Public Safety Tariff Policy
  9. Development Contribution for Engineering Services Policy
  10. Water Services By-laws

### 1.3 Executive Summary

The application of sound financial management principles for the compilation of the City's financial plan is essential and critical to ensure that the City remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The City will continue with its revenue enhancement project vigorously on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 66, 67, 70 & 72 were used to guide the compilation of the 2014/15 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Securing the health of the asset base (especially the revenue generating assets) by increasing spending on repairs and maintenance and renewal of assets;
- Protecting the poor;
- Ensuring that drinking water and waste water management meets the required quality standards at all times;
- The need to reprioritise projects and high expenditure rate within the existing resource envelope given the cash flow realities and declining cash position of the municipality
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal employees that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced during the current year's adjustment budget and needed to be factored into the budget as part of the 2014/15 MTREF process.
- The need to procure a loan to fund the renewal or refurbishment of old infrastructure assets.
- **Tabling a surplus budget:**  
**As per MFMA Circular 72:** "National Treasury has consistently urged municipalities to table and adopt a surplus operating statement of financial performance. Through the in-year reporting framework it has been observed that a direct correlation exists between municipalities that adopt a deficit position on the statement of financial performance and that of cash and liquidity challenges. In addition, many municipalities are increasingly becoming dependent on grants to fund their budgets as no operating surpluses are generated to supplement the capital programme. **Consequently all municipalities are required to adopt a surplus position on the statement of financial performance with the 2014/15 MTREF budget**".

**The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:**

- The 2013/14 Adjustments Budget priorities and targets, as well as the request from Departments based on the five year plan adopted by council and 2012/13 audited outcome on certain line items.
- **Tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs. Mogale City has started a process of restructuring the tariffs for utility services for instance water and sanitation, the exercise is very intensive where gathering of information to develop a cost reflective model should be done correctly.**
- **There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;**
- **In MFMA Circular No. 70 municipalities were strongly advised to take note of the Cabinet resolution of 23 October 2013 by which all national and provincial departments, constitutional institutions and all public entities are required to implement cost containment measures with effect of January 2014. The cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and event costs as well as costs for accommodation. Municipalities were subsequently strongly urged to take note of the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible.**

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2014/15 MTREF**

<b>R thousand</b>	<b>2012/2013 Audited Outcome</b>	<b>Adjustments Budget 2013/2014</b>	<b>Budget Year 2014/15</b>	<b>Budget Year +1 2015/16</b>	<b>Budget Year +2 2016/17</b>
Total Operating Revenue	1 849 457 545	1 955 199 039	2 121 320 077	2 258 611 319	2 416 740 065
Total Operating Expenditure	1 903 069 382	2 186 056 210	2 389 954 271	2 537 382 174	2 696 355 568
<i>Surplus/(Deficit) after Capital Transfers</i>	<b>(53 611 837)</b>	<b>(230 857 171)</b>	<b>(268 634 194)</b>	<b>(278 770 856)</b>	<b>(279 615 503)</b>
Total Capital Expenditure	331 533 135	253 812 489	462 472 814	637 201 885	4 936 279

Total operating revenue has grown by 8.49 per cent or R166 121 038 for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget. For the two outer years, operational revenue will increase by 6.47 and 7.00 per cent respectively, equating to a total revenue growth of R461 541 026 over the MTREF when compared to the 2013/14 adjustment budget.

Total operating expenditure for the 2014/15 financial year has been appropriated at R2 389 954 271 and translates into an operating budgeted deficit of R268 634 194. This operating deficit is a non-cash deficit due to non-cash items like debt impairment, depreciation, year-end provisions and municipal charges of about **R420 645 585**. MFMA Circular no.72 states that all municipalities are required to adopt a surplus position on the statement of financial performance with the 2014/15 MTREF budget.

When compared to the 2013/14 Adjustment Budget, operational expenditure has grown by 9.33 per cent in the 2014/15 budget and by 6.17 and 6.26 per cent for each of the respective outer years of the MTREF.

The capital budget of R462 472 814 for 2014/15 is 82.21 per cent more when compared to the 2013/14 Adjustment Budget. Own funded capital projects were decreased drastically due to affordability. A substantial portion of the capital budget will be implemented during 2015/16 and 2016/17 financial years. Own funding will contribute 22 per cent in 2014/15, when government grants & transfers and borrowing are excluded. The balance will be funded from government grants and proposed loan.

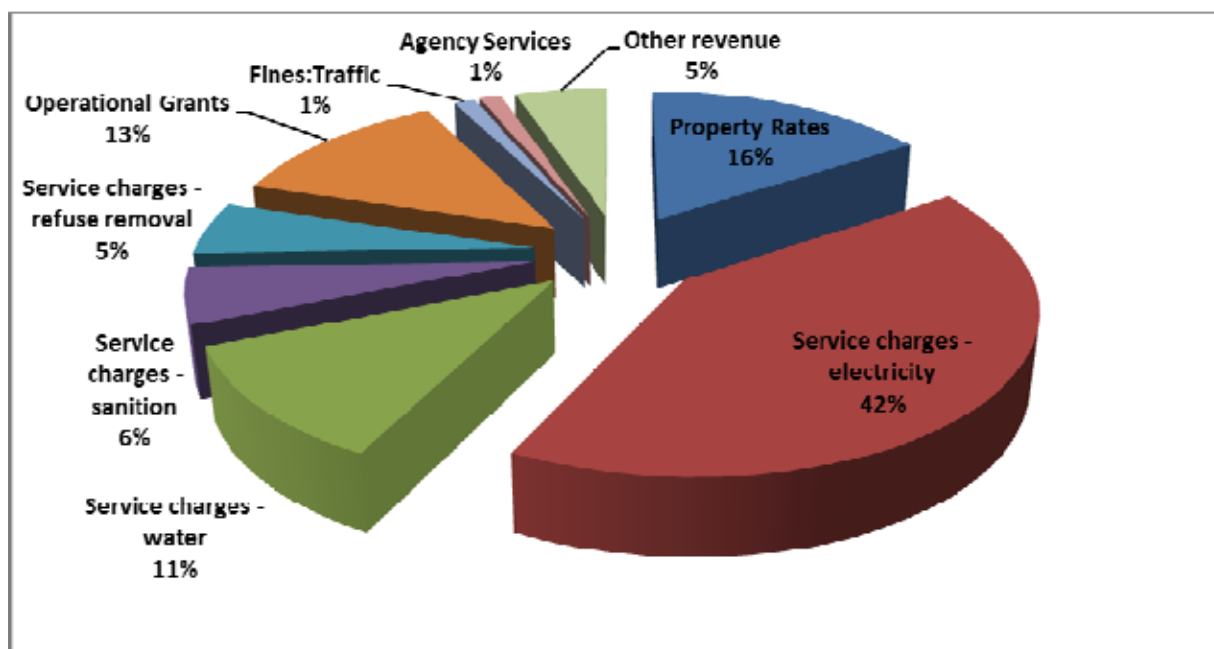
## 1.4 Operating Revenue Framework

For Mogale City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management and expenditure management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs, unemployment, poverty and old infrastructure assets. **The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.**

**The revenue base for the City for all 5 main tariffs have increased by 2 per cent growth indicating an increase that is more than the tariff increase in terms of revenue to be billed, as per our IDP document it is estimated that the average growth for the City between 2013 & 2017 will be 1.58 per cent. “Source Global Insight (REX-2012)”.**

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 97 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases of 7.39 per cent still to be approved by the National Electricity Regulator of South Africa (NERSA);
- Water & Sanitation tariffs increase of 8.1 per cent proposed by Rand Water;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Impact of Census 2011;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the City.



**Figure 1 Main operational revenue categories**

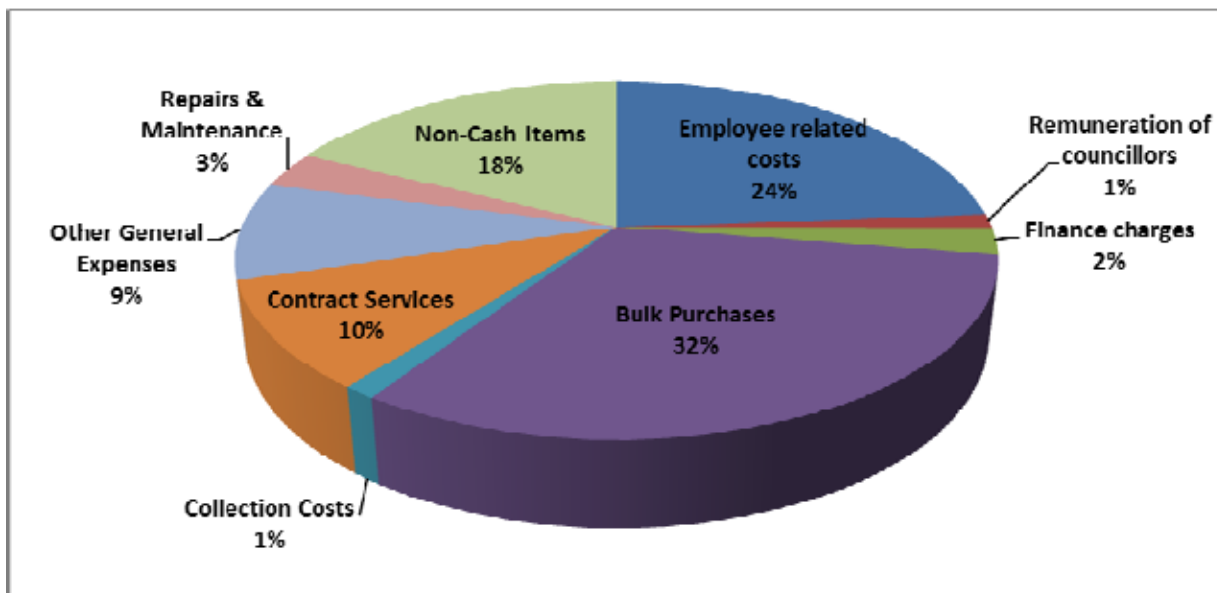


Figure 2 Main operational expenditure categories

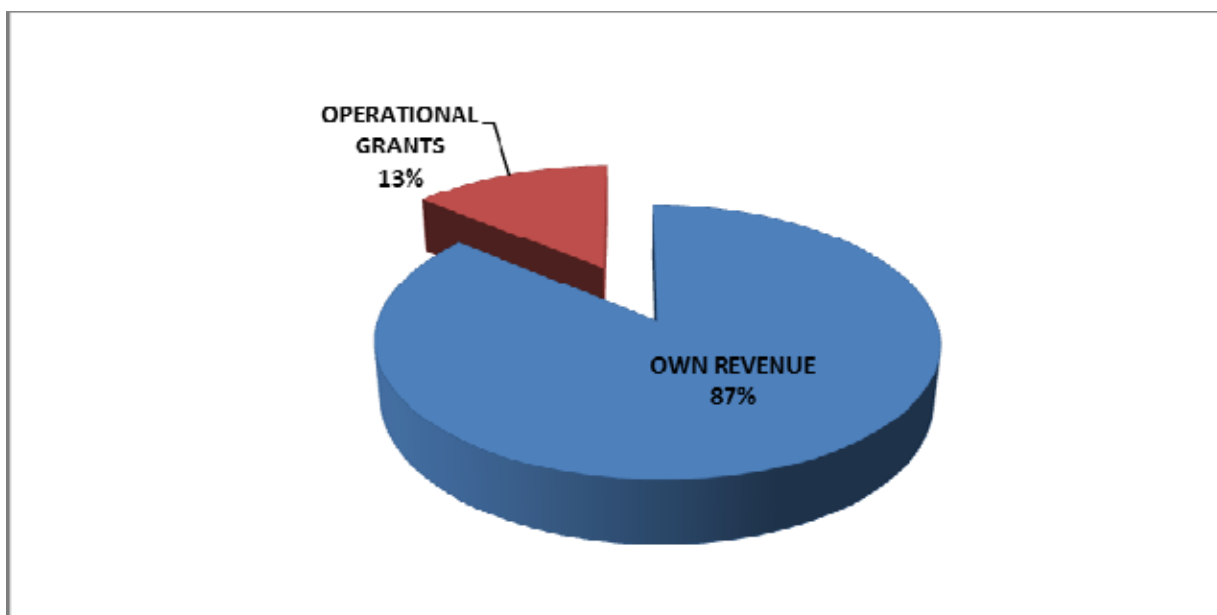


Figure 3: Source of revenue

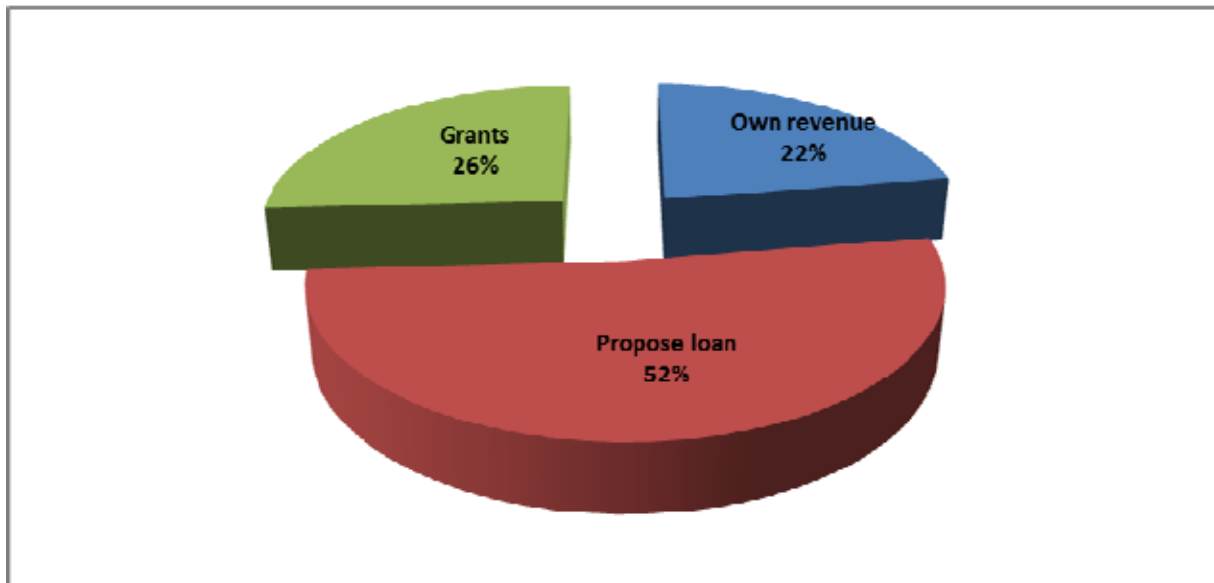


Figure 4: Capital Funding

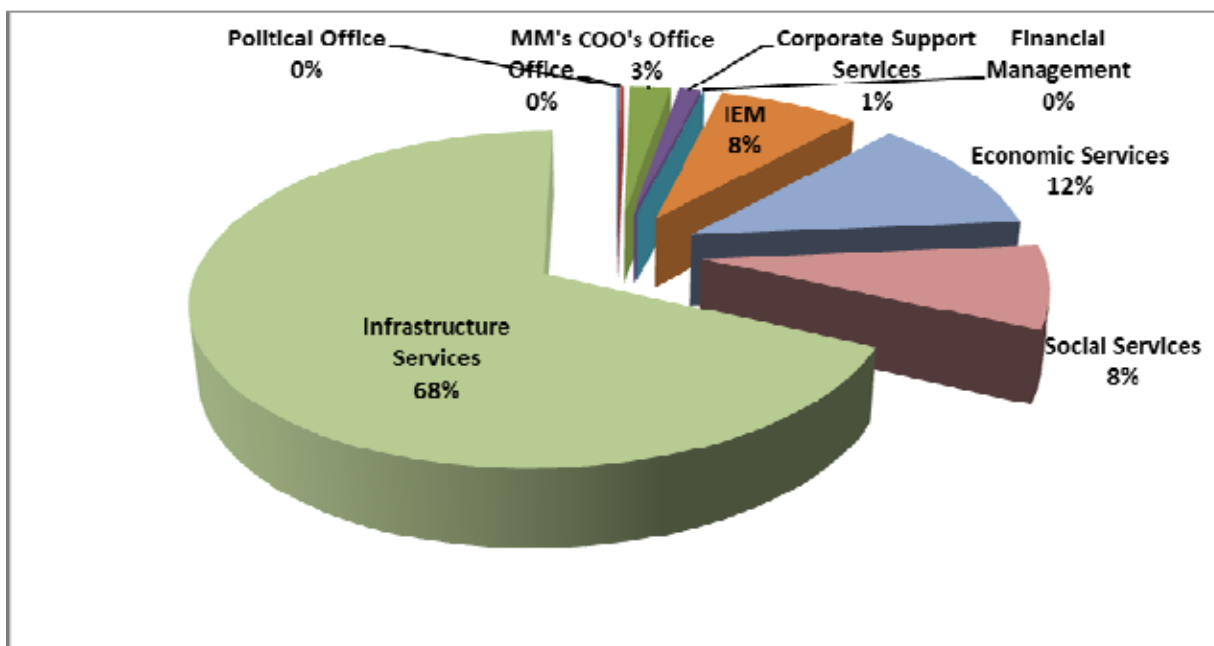


Figure 5: Capital budget per votes/departments



The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year +1 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>	<b>Audited Outcome</b>	<b>Audited Outcome</b>	<b>Audited Outcome</b>	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Full Year Forecast</b>	<b>Pre-audit outcome</b>	<b>Budget Year +1 2014/15</b>	<b>Budget Year +1 2015/16</b>	<b>Budget Year +2 2016/17</b>
<b>Revenue By Source</b>										
Property rates	217 375	247 753	272 542	286 716	289 908	289 908	289 908	316 406	335 390	355 513
Property rates- Penalty imposed and collection charges	12 226	12 747	20 863	18 393	30 261	30 261	30 261	32 486	34 887	37 465
Service charges - electricity revenue	506 843	619 676	695 821	805 124	761 255	761 255	761 255	833 172	894 743	960 865
Service charges - water revenue	147 987	169 389	187 195	210 711	208 805	208 805	208 805	229 868	248 488	268 615
Service charges - sanitation revenue	73 859	85 741	94 007	110 452	101 101	101 101	101 101	111 476	120 394	130 026
Service charges - refuse revenue	61 516	76 556	91 131	100 711	97 033	97 033	97 033	105 544	111 877	118 589
Rental of facilities and equipment	7 739	3 149	2 821	3 233	3 278	3 278	3 278	3 508	3 718	3 941
Interest earned - external investments	4 518	4 717	13 598	1 000	2 938	2 938	2 938	1 468	1 468	1 468
Interest earned - outstanding debtors	7 547	10 202	10 349	9 232	12 834	12 834	12 834	13 732	14 556	15 429
Dividends received	11	13	-	-	-	-	-	-	-	-
Fines	13 159	11 036	10 487	19 583	22 191	22 191	22 191	23 522	23 522	23 522
Licences and permits	31	23	17	17	22	22	22	24	25	27
Agency services	15 926	18 999	24 950	19 075	24 950	24 950	24 950	24 950	24 950	24 950
Transfers recognised - operational	193 657	213 806	227 488	234 461	239 210	239 210	239 210	253 835	272 830	301 100
Other revenue	86 791	187 612	75 490	39 355	50 870	50 870	50 870	52 167	53 818	55 568
Gains on disposal of PPE	-	22 237	-	-	439	439	439	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 349 185</b>	<b>1 683 657</b>	<b>1 726 759</b>	<b>1 858 064</b>	<b>1 845 095</b>	<b>1 845 095</b>	<b>1 845 095</b>	<b>2 002 159</b>	<b>2 140 667</b>	<b>2 297 080</b>

**Table 3 Percentage growth in revenue by main revenue source**

Description R thousand	Current Year 2013/2014		2014/15 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Property rates	289 908	16%	316 406	16%	335 390	16%	355 513	15%
Service charges - electricity revenue	761 255	42%	833 172	42%	894 743	42%	960 865	42%
Service charges - water revenue	208 805	11%	229 868	11%	248 488	12%	268 615	12%
Service charges - sanitation revenue	101 101	5%	111 476	6%	120 394	6%	130 026	6%
Service charges - refuse revenue	97 033	5%	105 544	5%	111 877	5%	118 589	5%
Service charges - other	30 261	1%	32 486	2%	34 887	2%	37 465	2%
Rental of facilities and equipment	3 278	0%	3 508	0%	3 718	0%	3 941	0%
Interest earned - external investments	2 938	0%	1 468	0%	1 468	0%	1 468	0%
Interest earned - outstanding debtors	12 834	1%	13 732	1%	14 556	1%	15 429	1%
Fines	22 191	1%	23 522	1%	23 522	1%	23 522	1%
Licences and permits	22	0%	24	0%	25	0%	27	0%
Agency services	24 950	1%	24 950	1%	24 950	1%	24 950	1%
Transfers recognised - operational	239 210	14%	253 835	13%	272 830	13%	301 100	13%
Other revenue	49,897	3%	52 167	3%	53 818	3%	55 568	2%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 845 095</b>	<b>100%</b>	<b>2 002 159</b>	<b>100%</b>	<b>2 140 667</b>	<b>100%</b>	<b>2 297 080</b>	<b>100%</b>
<b>Total revenue from rates and service charges</b>	<b>1 458 103</b>	<b>79%</b>	<b>1 596 466</b>	<b>80%</b>	<b>1 710 892</b>	<b>80%</b>	<b>1 833 609</b>	<b>80%</b>

**In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.**

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the City. Rates and service charge revenues comprise 80 per cent of the total revenue mix. In the 2014/15 financial year, revenue from rates and services charges totalled R1.6 billion or 80 per cent. This increases to R1.7 billion, R1.6 billion and R1.8 billion in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 79 per cent in 2013/14 Adjustment Budget to 80 per cent in 2016/17. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity over the years. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 16 per cent or R316 million rand and increases to R355 million by 2016/17. The third largest sources (besides other service charges) is transfer recognised-operational and fourth largest is 'other revenue' which consists of various items such as income received from rental of facilities, traffic fines, income from agency fees, building plan fees, connection fees, cemetery fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R234 million in the 2014/15 financial year and steadily increases to R301 million by 2016/17. Note that the year-on-year growth for the 2014/15 financial year is 6.11 per cent and then increases to 7.48 and remains constant at 10.36 per cent in the two outer years.

**The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:**

**Table 4 Operating Transfers and Grant Receipts**

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>									
<b>EXPENDITURE:</b>									
<b>Operating expenditure of Transfers and Grants</b>									
<b>National Government:</b>	<b>180 444</b>	<b>190 724</b>	<b>217 142</b>	<b>229 077</b>	<b>229 283</b>	<b>229 283</b>	<b>246 476</b>	<b>264 976</b>	<b>292 846</b>
Local Government Equitable Share	173 321	186 224	210 117	222 291	222 291	222 291	238 641	257 793	285 003
Finance Management	1 000	1 250	1 250	1 300	1 300	1 300	1 450	1 500	1 700
Municipal Systems Improvement	750	800	1 000	890	783	783	-	967	1 018
EPWP Integrated Grant	21	386	2 000	1 894	2 873	2 873	2 052	-	-
Department of Water Affairs	2 736	-	1 004	-	-	-	-	-	-
MIG (PMU)	2 616	2 064	1 771	2 702	2 036	2 036	4 333	4 716	5 125
<b>Provincial Government:</b>	<b>10 161</b>	<b>6 198</b>	<b>7 157</b>	<b>5 384</b>	<b>9 927</b>	<b>7 632</b>	<b>7 359</b>	<b>7 854</b>	<b>8 254</b>
Sport and Recreation	3 854	4 245	3 706	3 625	3 625	3 625	5 600	6 000	6 300
Seta- Training	1 552	1 759	1 295	1 759	2 842	2 842	1 759	1 854	1 954
GDACE:Bontle ke Botho	49	194	503	-	618	618	-	-	-
DLGH:ALOECAP Project	-	-	1 653	-	547	547	-	-	-
Housing	-	-	-	-	2 295	-	-	-	-
Health subsidy	3 438	-	-	-	-	-	-	-	-
DARD: Environmental Planning & Impact Assessment	1 000	-	-	-	-	-	-	-	-
GDLG: HIV/AIDS (Door to Door Programme)	268	-	-	-	-	-	-	-	-
<b>District Municipality:</b>	<b>1 273</b>	<b>1 788</b>	<b>3 190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
HIV & AIDS	1 273	1 788	3 190	-	-	-	-	-	-
<b>Total operating expenditure of Transfers and Grants:</b>	<b>191 878</b>	<b>198 710</b>	<b>227 488</b>	<b>234 461</b>	<b>239 210</b>	<b>236 915</b>	<b>253 835</b>	<b>272 830</b>	<b>301 100</b>

Tariff-setting is a pivotal and strategic part of the compilation of any budget. **When rates, tariffs and other charges were revised local economic conditions, the wage agreements with unions, other input costs of services provided by the municipality,** the municipality's indigent policy and the affordability of services were taken into account to ensure the financial sustainability of the City.

The percentage increases of both Eskom and Rand Water bulk tariffs are beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the City.

The revenue base for the City for all 5 main tariffs have increased by 2 per cent growth indicating an increase that is more than the tariff increase in terms of revenue to be billed, as per our IDP document it is estimated that the average growth for the City between 2013 to 2017 will be 1.58 per cent. **"Source Global Insight (REX-2012)".**

**The Eskom price increase of bulk electricity supplied to municipalities will increase by 8.06 per cent on 01<sup>st</sup> July 2014. NERSA is in the process of determining a guideline increase for municipal electricity tariffs. They have indicated that they will only be in a position to finalise this guideline on the 15 March 2014 provided municipalities cooperating in submitting all the D-forms. National Treasury has advised municipalities to limit electricity increases to between 7.39 per cent (MFMA Circular No.72).**

**Rand Water has notified municipalities that the proposed potable water tariff will be 8.1 per cent from 01<sup>st</sup> July 2014. In this current tariff consultation, there is consensus with SALGA on addressing water losses in Rand Water's area of supply. This will assist Rand Water to reapply for an increase in its abstraction license. This proposed tariff increase excludes the increase of water research commission levy which is payable to Water Research Commission (WRC).**

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, materials and chemicals. **The current challenge facing Mogale City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:**

#### **1.4.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. MFMA Budget Circular 72 for the 2014/15 MTREF encourages municipalities ***"to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor household, other customers and ensuring the financial sustainability of the municipality"***.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2014/15 financial year based on a **7 per cent** increase from 01<sup>st</sup> July 2014 is contained below:

**Table 5 Proposed rates to be levied for the 2014/15 financial year**

<b>Category</b>	<b>Current Tariff (1 July 2013)</b>	<b>Proposed tariff (from 1 July 2014)</b>	<b>Increase</b>
	<b>c</b>	<b>c</b>	<b>%</b>
Residential properties	0.01142	0.01222	7%
State Owned Properties Residential	0.01142	0.01222	7%
Business & Commercial	0.02283	0.02443	7%
Agricultural	0.00293	0.00313	7%
Education Institution	0.01142	0.01222	7%
Sectional title-Residential	0.01142	0.01222	7%
Sectional title-Industrial	0.02283	0.02443	7%
Public Benefit Organization	0.01142	0.01222	7%
Industrial	0.02283	0.02443	7%
Religious	0.01142	0.01222	7%
Public Service Infrastructure (PSI)	0.01142	0.01222	7%
Public Open Space (Municipal)	0.01162	0.01243	7%
Private Open Space	0.01162	0.01243	7%
Special Use	0.02091	0.02238	7%

#### **1.4.2 Sale of Water and Impact of Tariff Increases**

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply and high percentage of water losses. Mogale City is facing similar dilemma as any municipality in our Country. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

National Treasury encourages municipalities to develop a pricing strategy to phase-in the necessary tariff increase in a manner that spreads the impact on consumers over a period of time if the water tariffs for municipalities is not fully cost reflective.

National Treasury encourages municipalities to put in place an appropriate strategy to limit water losses to acceptable levels and furthermore Rand Water will work together with municipalities to assist on water demand management. **Water losses in 2012/13 audited financial statements was 33%.**

**Infrastructure Department has developed a strategy to curb these high water losses, it is imperative for Department to implement the strategy vigorously.**

Better maintenance of infrastructure, new reservoirs construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. **Rand Water has proposed an indicative tariff increase of about 8.1 per cent for municipal budgeting process, subject to the approval by Parliament in March 2014.**

**A tariff increase of 8.1 per cent from 1 July 2014 for water is therefore proposed.** This is based on input cost assumptions of 8.1 per cent increase in the cost of bulk water (Rand Water). In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

**Table 6 Proposed Water Tariffs**

CATEGORY	CURRENT TARIFFS	PROPOSED TARIFFS	INCREASE
	2013/14	2014/15	
	Rand per kℓ	Rand per kℓ	
<b>RESIDENTIAL</b>			
(i) 0 to 6 kℓ	0	0	
(ii) 7 to 15 kℓ	12.56	13.57	8.1%
(iii) 16 to 30 kℓ	15.57	16.83	8.1%
(iv) 31 to 45 kℓ	18.12	19.59	8.1%
(v) 46 to 60kℓ	19.98	21.60	8.1%
(vi) 61 kl + above	21.84	23.61	8.1%
Other consumers: Schools, NGO's and Hospitals Per kl	14.54	15.72	8.1%
<b>NON-RESIDENTIAL (Business &amp; Industrial)</b>			
(i) 0 – 500 kℓ	18.15	19.62	8.1%
(ii) 500 + above	13.62	14.72	8.1%

### 1.4.3 Sanitation and Impact of Tariff Increases

A tariff increase of 8.1 per cent for sanitation from 1<sup>st</sup> July 2014 is proposed. It should be noted that electricity costs contributes approximately 6 per cent of waste water treatment input costs, therefore the higher than CPI increase of 8.1 per cent for sanitation tariffs. The following factors also contribute to the proposed tariff increase:

- Free sanitation (100 per cent of 6 kℓ water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R111 million for the 2014/15 financial year.

The following table compares the current and proposed tariffs:

**Table 7 Proposed sanitation tariff charges**

Category/Land Use (Irrespective of the quantity of water supplied to the premises)	CURRENT TARIFFS 2013/2014	PROPOSED TARIFFS 2014/2015	INCREASE
	R	R	%
Additional Sewerage fixed usage 30kl /month	148.17	160.17	8.1%
Basic Charges per m2	0.02	0.02	8.1%
Additional Sewerage for Rietvallei/Lusaka/Ga-Mogale	74.10	80.10	8.1%
Business, School , NGO, Hospital Consumer, additional sewage prior year to date average kl usage/months	4.95	5.35	8.1%
Basic Sewerage Fixed usage 30kl/month : Vacant stand	2.99	3.23	8.1%

### 1.4.4 Sale of Electricity and Impact of Tariff Increases

The Eskom price increase of bulk electricity supplied to municipalities will increase by 8 per cent on 01<sup>st</sup> July 2014. NERSA is in the process of determining a guideline increase for municipal electricity tariffs. They have indicated that they will only be in a position to finalise this guideline by the end of March 2014. National Treasury has advised municipalities to structure their electricity tariffs based on the approved 7.39 per cent NERSA guideline tariff increase (MFMA Circular No.72). National Treasury will consult NERSA on the methodology applied in determining the municipal tariff increase and communicate with all municipalities once the final guideline is available.

Registered indigents will again be granted 50 kWh per month free of charge.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply). It is estimated that special funding for electricity bulk infrastructure to the amount of R296 million over MTREF will be necessary to steer the City out of this predicament to be funded with the acquisition of proposed loan.



**Table 8 Proposed Electricity (Domestic)**

Excluding VAT	APPROVED TARIFFS	PROPOSED TARIFFS	INCREASE
	2013/14	2014/15	
	R	R	%
<b>ENVIRONMENTAL ELECTRICITY LEVY</b>	R 0.0375	R 0.0403	7.47%
<b>1. Domestic - Single Consumers</b>			
<b>1.1. Pre-Paid</b>			
<b>1.1.1. Pre-Paid: Single Phase</b>			
1.1.1.1. Energy (R/kWh): kWh Consumption: 1 - 1000 kWh/Month	R 1.1968	R 1.2852	7.39%
1.1.1.2. Energy (R/kWh): kWh Consumption: 1001 - 1500 kWh/Month	R 1.4362	R 1.5423	7.39%
1.1.1.3. Energy (R/kWh): kWh Consumption: > 1500 kWh/Month	R 1.6755	R 1.7993	7.39%
Fixed Charge (R/A/CB rating)			
<b>1.1.2. Pre-Paid: Three Phase</b>			
1.1.2.1. Energy (R/kWh): kWh Consumption 1- 1000 kWh / Month	R1.7166	R 1.8435	7.39%
1.1.2.2. Energy (R/kWh): kWh Consumption: 1001 - 1500kWh / Month	R 2.0599	R 2.2121	7.39%
1.1.2.3. Energy (R/kWh): kWh Consumption > 1500 kWh /Month	R 2.4032	R 2.5808	7.39%
Fixed Charge (R/A/CB rating)			
<b>1.2. Life Line (Poor Households) (Conventional and Pre-Paid Metering)</b>			
1.2.1. Energy (R/kWh): kWh Consumption 51 - 350 kWh/Month	R0.9254	R 0.9938	7.39%
1.2.2. Energy (R/kWh): kWh Consumption 351 - 500 kWh / Month	R 1.2030	R 1.2919	7.39%
1.2.3. Energy (R/kWh): kWh Consumption 501 - 750 kWh / Month	R 1.2956	R 1.3913	7.39%
1.2.4. Energy (R/kWh): kWh Consumption > 751 kWh / Month	R 1.4806	R 1.5900	7.39%
Fixed Charge (R/A/CB rating)			
<b>1.3. Two-Part</b>			
1.3.1. Energy (R/kWh)	R 0.9524	R 1.0228	7.39%
1.3.2. Fixed Charge (R/A/CB rating) (60A)	R 3.65	R 3.9201	7.40%
<b>1.4. Two-Part: Time-of-Use</b>			
Energy (R/kWh):			
1.4.1. During Eskom PEAK Times	R 2.1311	R 2.2886	7.39%
1.4.2. During Eskom STANDARD Times	R 0.9907	R 1.0639	7.39%
1.4.3. During Eskom OFF-PEAK Times	R 0.6607	R 0.7095	7.39%
1.4.4. Fixed Charge (R/A/CB rating)	R 3.65	R 3.9197	7.39%
<b>1.5. FREE Basic Electricity (50 kWh/Month)</b>	R 0.0000	R 0.0000	
<b>2. Domestic - Bulk Consumers Low Voltage</b>			
<b>2.1. Three-Part</b>			
2.1.1. Energy (R/kWh)	R0.7506	R 0.8061	7.39%
2.1.2. Fixed Charge (Rand/Month)	R 405.92	R 435.92	7.39%
2.1.3. Demand Charge ( R/kVA )	R72.51	R 77.87	7.39%
2.1.4. Reactive Energy Charge (R/kvarh)	R 0.1517	R 0.1629	7.38%
<b>4. Commercial and Industrial - Small Consumers</b>			
<b>4.1. Two-Part</b>			
4.1.1. Energy (R/kWh)	R 1.1081	R 1.1900	7.39%
4.1.2. Fixed Charge (R/A/CB rating)	R 4.49	R 4.82	7.35%
<b>4.2. Two-Part: Time-of-Use</b>			
4.2.1. Energy (R/kWh):			
4.2.1.1. During Eskom PEAK Times	R 2.2408	R 2.4064	7.39%
4.2.1.2. During Eskom STANDARD Times	R 1.0534	R 1.1312	7.39%
4.2.1.3. During Eskom OFF-PEAK Times	R 0.6918	R 0.7429	7.39%
4.2.2. Fixed Charge (R/A/CB rating)	R 4.49	R 4.82	7.35%
<b>5. Commercial &amp; Industrial - Bulk Consumers Low Voltage</b>			
<b>5.1. Three-Part</b>			
5.1.1. Energy (R/kWh)	R 0.7711	R 0.8281	7.39%
5.1.2. Fixed Charge (Rand/Month)	R 405.92	R 435.92	7.39%
5.1.3. Demand Charge ( R/kVA )	R73.07	R 78.48	7.40%
5.1.4. Reactive Energy Charge (R/kvarh)	R 0.1517	R 0.1629	7.38%

#### 10.4.5 Solid Waste Removal and Impact of Tariff Increase

A tariff increase of 7 per cent for sanitation from 1<sup>st</sup> July 2014 is proposed.

The following table compares current and proposed amounts payable from 1<sup>st</sup> July 2014:

**Table 9 Proposed solid waste removal**

	2013/2014	2014/2015	INCREASE
<b>MOBILE REFUSE CONTAINERS 240L BINS</b>	<b>Per month ®</b>		
Domestic Refuse:One removal per week per 240l container per month or part thereof	113.24	121.17	7%
Domestic Refuse:Daily Removal per 240L cotainer per month or part thereof	679.42	726.98	7%
Business Refuse: One removal per week per 240l container per month or part threof	264.24	282.73	7%
Business Refuse:Daily removal per 240l container per month or part thereof	1 056.88	1 130.86	7%
Handling /Delivery Fees per container to be delivered	75.44	80.72	7%
Replacement of lost/damaged container (payable in advance if fault of user)	679.50	727.06	7%
<b>BIN LINERS</b>			
From dwellings:one removal with a maximum of six bin liners with a capacity of 85L each per month or part thereof	105.05	112.40	7%
From Flats:one removal with a maximum of four bin liners with a capacity of 85L per flat, per month or part thereof	73.82	78.99	7%

## 1.5 Operating Expenditure Framework

The City's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

**Table 10 Summary of operating expenditure by standard classification item**

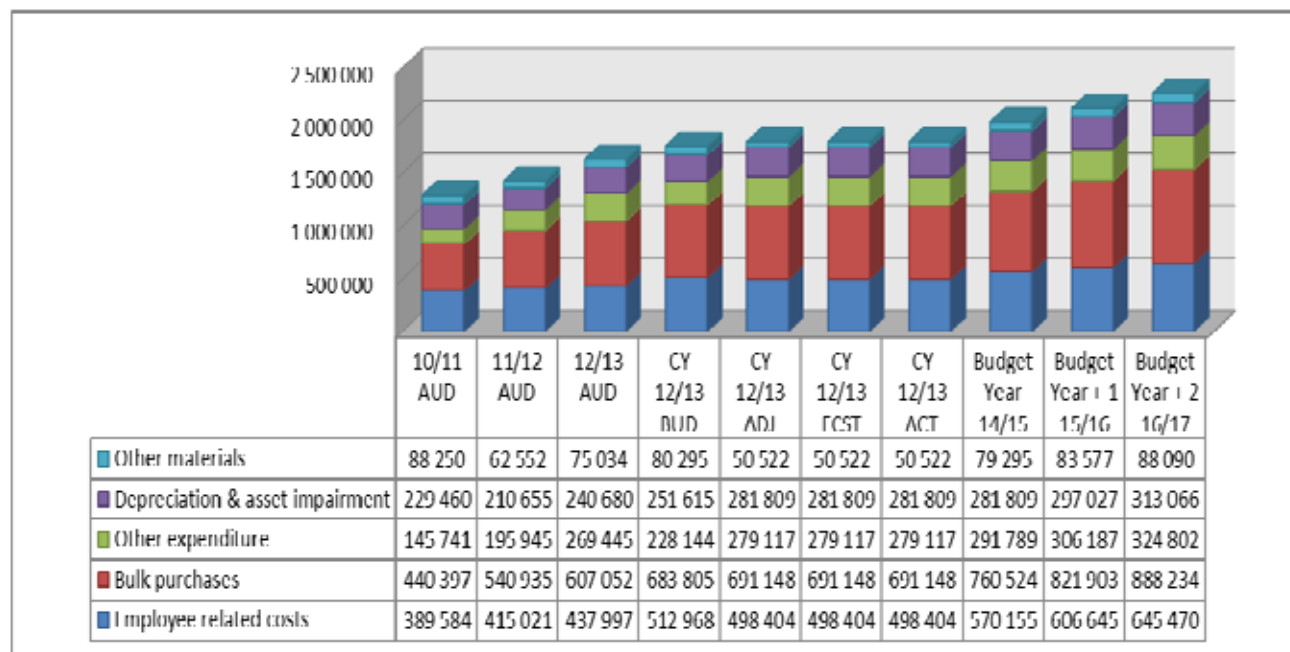
Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type										
Employee related costs	373 271	397 067	437 997	512 968	498 404	498 404	498 404	570 155	606 645	645 470
Remuneration of councilors	16 313	17 954	19 019	22 056	25 806	25 806	25 806	28 387	31 225	34 348
Debt impairment	48 032	82 208	28 533	57 700	55 696	55 696	55 696	45 775	65 407	70 097
Depreciation & asset impairment	229 460	210 655	240 680	251 615	281 809	281 809	281 809	281 809	297 027	313 066
Finance charges	33 209	45 285	25 901	39 488	40 252	40 252	40 252	58 067	54 577	51 423
Bulk purchases	440 397	540 935	607 052	683 805	691 148	691 148	691 148	760 524	821 903	888 234
Contracted services	122 485	146 686	166 899	188 505	225 008	225 008	225 008	233 502	230 180	238 003
Transfers and grants	6 484	19 893	32 510	37 058	38 294	38 294	38 294	40 650	40 655	42 823
Other expenditure	145 741	195 945	269 445	228 144	279 117	279 117	279 117	291 789	306 187	324 802
Repairs & maintenance	88 250	62 552	75 034	80 295	50 522	50 522	50 522	79 295	83 577	88 090
Total Expenditure	1 503 642	1 719 180	1 903 069	2 101 634	2 186 056	2 186 056	2 186 056	2 389 954	2 537 382	2 696 356

- The budgeted allocation for employee related costs for the 2014/15 financial year totals R570 million, which equals 24 per cent of the total operating expenditure. Employee related cost overall will increase by 14%, of which 6.8% is for multi-year salary and wage collective agreement for the period 1 July 2012 to 30 June 2015 general increase whilst 7.2% is for notch increases, filling of critical positions and other non-inflation linked items like overtime, annual bonuses, long service awards, leave payments. The agreement provides for a wage increase based on the average CPI for the 1 February 2013 until 31 January 2014, plus 1 per cent for the 2014/15 financial year, the average CPI for this period is 5.79 per cent.
- An annual increase of 6.40 per cent has been included in the two outer years of the MTREF. As part of the City's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards to R39 991 786.
- In addition expenditure against overtime has increased by 6.8 per cent or by R1 230 894, with provisions against this budget item only being provided for emergency services and other critical functions.

- The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation (Government Gazette no.37281) in this regard has been taken into account in compiling the City's budget and increase of 10% was factored in taking into consideration grading number 5 of the municipality.
- The provision of debt impairment was determined based on an annual collection rate of 97 per cent. For the 2014/15 financial year this amount equates to R45 775 378 and increased to R68 722 235 by 2016/17. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.
- Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R281 809 046 for the 2014/15 financial and equates to 12 per cent of the total operating expenditure.
- Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2.43 per cent or R58 067 497 of operating expenditure excluding annual capital redemption of R28 072 539. Total loans acquired by the City will be R602 158 632.
- Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. **The expenditures exclude distribution losses.**
- In line with the City's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the City's infrastructure. For 2014/15 the appropriation against this group of expenditure is R79 295 263 and continues to grow at 5.40 and 5.40 per cent for the two outer years.
- Other general expenses have been identified as one of the highest cost drivers for the City. In the 2014/15 financial year, this group of expenditure totals R291 789 254 million or 12.21 per cent of the total budget this includes non-cash items of about R420 645 585, clearly demonstrating the impact of this particular item in the City's cash flow. For the two outer years growth has been limited to 4.93 and 16.96 per cent.

The following table gives a breakdown of the main expenditure categories for the 2014/15 financial year.

**Figure 6 Expenditure by major type for the 2014/15 financial year**



### 1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the City's current infrastructure, the 2014/15 budget and MTREF provide about 3.31 per cent growth in the area of asset maintenance, as informed by the availability of resources and asset renewal strategy. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, **the following table is a consolidation of all the expenditures associated with repairs and maintenance:**

**Table 11 Operational repairs and maintenance**

Repairs and Maintenance by Expenditure Item	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Employee related costs	–	–	–	151 328	151 328	151 328	151 328	161 618	171 962	182 967
Other materials	16 138	11 564	64 553	10 378	38 671	38 671	38 671	64 514	67 776	71 670
Contracted Services	64 942	47 435	10 480	55 887	11 850	11 850	11 850	14 781	15 801	16 421
Other Expenditure	7 170	3 553	–	14 030	–	–	–	–	–	–
<b>Total Repairs and Maintenance Expenditure</b>	<b>88 250</b>	<b>62 552</b>	<b>75 034</b>	<b>231 623</b>	<b>201 850</b>	<b>201 850</b>	<b>201 850</b>	<b>240 913</b>	<b>255 539</b>	<b>271 058</b>

During the compilation of the 2014/15 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the City's infrastructure and historic deferred maintenance. The actual performance on repairs & maintenance during 2012/2013 financial year indicated an improvement of 15% when compared to a decrease during 2011/12 financial year audited outcome due to movement of expenditure in operating budget to capital budget based on the nature of the transactions.

During the 2013/14 Adjustment Budget this allocation was adjusted downwards to R50 521 656 mainly because of reclassification of the expenditure type from repairs to capital budget. 2013/14 adjustment budget indicated a decrease of about 37 per cent mainly this is due to reclassification of expenditure from operating to capital budget and reduction of streetlight as there is no service provider maintenance is being done in house.

Notwithstanding this reduction during 2013/14 adjustment budget, as part of the 2014/15 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2014/15 equates to R79 295 263 increased by R28 773 607 and continues to grow at 5.39 per cent during 2016/17. In relation to the total operating expenditure budget, repairs and maintenance comprises of 3.32, 3.29 and 3.23 per cent for the respective financial years of the MTREF.

National Treasury guidelines indicate that repairs & maintenance expenditure budget should be 8 per cent of the total value of the assets. Mogale City total value of assets is R5 229 913 155 as per 2012/13 audited outcome, which means we need R418 393 052 to fund repairs & maintenance.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 12 Repairs and maintenance per asset class**

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework	
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>EXPENDITURE OTHER ITEMS</b>									
<b>Depreciation &amp; asset impairment</b>	<b>229 461</b>	<b>236 930</b>	<b>240 680</b>	<b>251 615</b>	<b>281 809</b>	<b>281 809</b>	<b>281 809</b>	<b>297 027</b>	<b>313 066</b>
<b>Repairs and Maintenance by Asset Class</b>	<b>88 250</b>	<b>62 552</b>	<b>75 034</b>	<b>80 295</b>	<b>50 522</b>	<b>50 522</b>	<b>79 295</b>	<b>83 577</b>	<b>88 090</b>
Infrastructure - Road transport	10 965	10 730	26 032	13 570	10 870	10 870	13 570	14 303	15 076
Infrastructure - Electricity	27 807	20 898	24 463	28 878	13 541	13 541	28 878	30 437	32 081
Infrastructure - Water	4 676	6 127	7 571	7 392	3 392	3 392	6 392	6 737	7 101
Infrastructure - Sanitation	6 810	5 358	10 543	10 894	7 804	7 804	10 894	11 483	12 103
Infrastructure - Other	4 838	4 541	-6 242	7 498	4 179	4 179	7 498	7 903	8 330
Infrastructure	55 096	47 654	62 367	68 233	39 786	39 786	67 233	70 864	74 690
Community	6 502	6 352	3 190	-	-	-	-	-	-
Other assets	26 652	8 546	9 476	12 062	10 736	10 736	12 062	12 714	13 400
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>317 711</b>	<b>299 482</b>	<b>315 714</b>	<b>331 910</b>	<b>332 331</b>	<b>332 331</b>	<b>361 104</b>	<b>380 604</b>	<b>401 157</b>
<i>Renewal of Existing Assets as % of total capex</i>	<i>71.6%</i>	<i>45.1%</i>	<i>42.5%</i>	<i>62.6%</i>	<i>53.3%</i>	<i>53.3%</i>	<i>34.3%</i>	<i>29.2%</i>	<i>27.7%</i>
<i>Renewal of Existing Assets as % of deprecn"</i>	<i>57.6%</i>	<i>39.4%</i>	<i>58.5%</i>	<i>54.9%</i>	<i>48.0%</i>	<i>48.0%</i>	<i>56.3%</i>	<i>62.6%</i>	<i>43.7%</i>
<i>R&amp;M as a % of PPE</i>	<i>1.8%</i>	<i>1.2%</i>	<i>1.4%</i>	<i>1.5%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>1.5%</i>	<i>1.6%</i>	<i>1.7%</i>
<i>Renewal and R&amp;M as a % of PPE</i>	<i>4.0%</i>	<i>3.0%</i>	<i>4.0%</i>	<i>4.0%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>4.0%</i>	<i>5.0%</i>	<i>4.0%</i>

For the 2014/15 financial year 80 per cent or R63 098 millions of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 36 per cent (R28 878 million), followed by road infrastructure at 17 per cent (R13 570 million), water at 8 per cent (R6 392 million) and sanitation at 14 per cent (R10 894 million). Other assets have been allocated R16 198 millions of total repairs and maintenance equating to 4 per cent.

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Management Policy. The target is to register 20 000 or more indigents households during the 2014/15 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement) on page 46.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 13 2013/14 Medium-term capital budget per standard classification**

	Adjusted Budget	Percentage	2014/15 Budget Year	Percentage	2015/16 Budget Year	Percentage	2016/17 Budget Year	Percentage
<b>Capital Expenditure - Standard</b>								
Executive and council	6 314	2%	12 279	3%	17 070	3%	3 990	1%
Budget and treasury office	1 529	1%	145	0%	3 500	1%	170	0%
Corporate services	569	0%	5 777	1%	570	0%	500	0%
Community and social services	5 411	2%	7 903	2%	2 100	0%	2 100	0%
Sport and recreation	39 566	16%	29 884	6%	38 802	6%	14 580	3%
Public safety	32	0%	253	0%	100	0%	100	0%
Housing	-	0%	-	0%	-	0%	0	0%
Planning and development	12 000	5%	54 505	12%	51 857	8%	56 937	12%
Road transport	55 536	22%	76 254	16%	113 853	18%	121 759	25%
Environmental protection	12 475	5%	26 521	6%	14 822	2%	6 850	1%
Electricity	59 127	23%	94 880	21%	155 600	24%	102 000	21%
Water	23 174	9%	85 412	18%	116 783	18%	87 511	18%
Waste water management	21 660	9%	45 021	10%	101 663	16%	87 671	18%
Waste management	10 889	4%	10 139	2%	9 482	1%	8 460	2%
Other	5 530	2%	13 500	3%	11 000	2%	1 000	0%
<b>Total Capital Expenditure</b>	<b>253 812</b>		<b>462 473</b>		<b>637 202</b>		<b>493 628</b>	

The following graph provides a breakdown of the capital budget to be spent on infrastructure. Some of the important projects to be undertaken over the medium-term includes, amongst others:

- Replacement of fences – R 7 400 million funded by own funds,
- Kagiso Cemetery Upgrading Phase 2 – R9 453 million funded by own funds & MIG,
- Landfill site upgrade Phase 4 – R7 264 million financed by MIG & proposed loan;
- Land acquisition – R30 million to be funded by proposed loan;
- NDPG Capital grant – R20 million,
- Upgrade of 6 Sports Complexes – R22 592 million funded by MIG and own funds
- Upgrade or Rehabilitation of swimming pools – R6 600 million funded by own funds
- Roads & Storm water projects – R76 154 million funded by own funds, proposed loan & MIG;
- Refurbishment and renewal electrical network – R90 880 million funded by own funds & proposed loan;
- Renewal or refurbishment of water networks – R85 412 million, 84 per cent funded by proposed loan, own generated funds and MIG,
- Upgrading and renewal of sewers – R45 021 million, 33 per cent funded by proposed loans, 43 per cent funded by MIG & balance funded own funds.

Furthermore pages 67 to 69 contain a detail breakdown of the capital budget per project over the medium-term.



## 1.7 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

**Table 14 MBRR Table A1 - Budget Summary**

GT481 Mogale City - Table A1 Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Financial Performance</b>										
Property rates	229 601	260 500	293 406	305 109	320 169	320 169	320 169	348 891	370 276	392 978
Service charges	790 205	951 363	1 068 153	1 226 998	1 168 195	1 168 195	1 168 195	1 280 061	1 375 502	1 478 095
Investment revenue	4 518	4 717	13 598	1 000	2 938	2 938	2 938	1 468	1 468	1 468
Transfers recognised - operational	193 657	213 806	227 488	234 461	239 210	239 210	239 210	253 835	272 830	301 100
Other own revenue	131 205	253 270	124 114	90 496	114 583	114 583	114 583	117 903	120 590	123 438
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 349 186</b>	<b>1 683 657</b>	<b>1 726 759</b>	<b>1 858 064</b>	<b>1 845 095</b>	<b>1 845 095</b>	<b>1 845 095</b>	<b>2 002 159</b>	<b>2 140 667</b>	<b>2 297 080</b>
Employee costs	373 271	397 068	437 997	512 968	498 404	498 404	498 404	570 155	606 645	645 470
Remuneration of councillors	16 313	17 954	19 019	22 056	25 806	25 806	25 806	28 387	31 225	34 348
Depreciation & asset impairment	229 461	210 655	240 680	251 615	281 809	281 809	281 809	281 809	297 027	313 066
Finance charges	33 209	45 285	45 072	39 488	40 252	40 252	40 252	58 067	54 577	51 423
Materials and bulk purchases	440 397	540 935	607 052	683 805	691 148	691 148	691 148	760 524	821 903	888 234
Transfers and grants	6 484	19 893	32 510	37 053	38 294	38 294	38 294	40 650	40 655	42 823
Other expenditure	404 507	487 391	520 739	554 649	610 342	610 342	610 342	650 362	685 351	720 991
<b>Total Expenditure</b>	<b>1 503 642</b>	<b>1 719 182</b>	<b>1 903 069</b>	<b>2 101 634</b>	<b>2 186 056</b>	<b>2 186 056</b>	<b>2 186 056</b>	<b>2 389 954</b>	<b>2 537 382</b>	<b>2 696 356</b>
<b>Surplus/(Deficit)</b>	<b>(154 456)</b>	<b>(35 525)</b>	<b>(176 311)</b>	<b>(243 570)</b>	<b>(340 962)</b>	<b>(340 962)</b>	<b>(340 962)</b>	<b>(387 795)</b>	<b>(396 715)</b>	<b>(399 276)</b>
Transfers recognised - capital	69 024	84 758	122 699	106 718	110 104	110 104	110 104	119 161	117 944	119 660
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(85 433)</b>	<b>49 233</b>	<b>(53 612)</b>	<b>(136 852)</b>	<b>(230 857)</b>	<b>(230 857)</b>	<b>(230 857)</b>	<b>(268 634)</b>	<b>(278 771)</b>	<b>(279 616)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(85 433)</b>	<b>49 233</b>	<b>(53 612)</b>	<b>(136 852)</b>	<b>(230 857)</b>	<b>(230 857)</b>	<b>(230 857)</b>	<b>(268 634)</b>	<b>(278 771)</b>	<b>(279 616)</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>184 544</b>	<b>183 773</b>	<b>331 533</b>	<b>220 581</b>	<b>253 812</b>	<b>253 812</b>	<b>253 812</b>	<b>462 473</b>	<b>637 202</b>	<b>493 628</b>
Transfers recognised - capital	73 838	70 424	124 636	106 718	110 104	110 104	110 104	119 161	117 944	119 660
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	35 463	(9 352)	167 773	14 731	23 221	23 221	23 221	239 500	340 479	256 000
Internally generated funds	75 244	122 700	39 124	99 132	120 487	120 487	120 487	103 812	178 779	117 968
<b>Total sources of capital funds</b>	<b>184 544</b>	<b>183 773</b>	<b>331 533</b>	<b>220 581</b>	<b>253 812</b>	<b>253 812</b>	<b>253 812</b>	<b>462 473</b>	<b>637 202</b>	<b>493 628</b>
<b>Financial position</b>										
Total current assets	377 250	404 647	540 923	404 345	408 889	408 889	408 889	409 486	439 332	478 997
Total non current assets	5 549 450	5 746 372	5 795 064	5 942 624	5 952 547	5 952 547	5 952 547	5 965 088	5 970 671	5 980 394
Total current liabilities	447 961	518 342	577 507	551 020	551 020	551 020	551 020	524 697	523 704	523 875
Total non current liabilities	337 067	345 716	524 786	512 076	484 394	484 394	484 394	478 036	475 036	475 036
Community wealth/Equity	5 141 673	5 286 960	5 233 694	5 283 873	5 326 022	5 326 022	5 326 022	5 371 840	5 411 262	5 460 480
<b>Cash flows</b>										
Net cash from (used) operating	158 989	173 454	185 178	199 977	235 447	235 447	235 447	224 984	328 931	301 100
Net cash from (used) investing	(250 936)	(159 367)	(311 067)	(220 581)	(253 812)	(253 812)	(253 812)	(462 473)	(637 202)	(493 628)
Net cash from (used) financing	42 293	(9 647)	172 277	(23 327)	(21 945)	(21 945)	(21 945)	210 879	309 910	232 193
<b>Cash/cash equivalents at the year end</b>	<b>39 336</b>	<b>43 775</b>	<b>90 163</b>	<b>22 723</b>	<b>27 267</b>	<b>27 267</b>	<b>27 267</b>	<b>657</b>	<b>2 296</b>	<b>41 961</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	75 304	82 019	137 271	67 343	81 810	81 810	81 810	62 740	72 962	122 351
Application of cash and investments	51 336	108 726	26 290	60 557	42 063	42 063	18 842	(37 286)	(58 067)	(41 925)
<b>Balance - surplus (shortfall)</b>	<b>23 968</b>	<b>(26 708)</b>	<b>110 981</b>	<b>6 786</b>	<b>39 747</b>	<b>39 747</b>	<b>62 968</b>	<b>100 026</b>	<b>131 029</b>	<b>164 276</b>
<b>Asset management</b>										
Asset register summary (WDV)	5 513 482	5 707 616	5 747 337	5 493 899	5 493 899	5 493 899	5 903 004	5 903 004	5 900 004	5 900 004
Depreciation & asset impairment	229 461	210 655	240 680	251 615	281 809	281 809	281 809	281 809	297 027	313 066
Renewal of Existing Assets	132 155	82 933	140 819	138 064	135 301	135 301	135 301	158 702	185 869	136 892
Repairs and Maintenance	88 250	62 552	75 034	80 295	50 522	50 522	79 295	79 295	83 577	88 090
<b>Free services</b>										
Cost of Free Basic Services provided	67 139	91 619	96 200	101 010	101 010	101 010	111 111	111 111	122 222	134 444
Revenue cost of free services provided	169 671	104 643	109 876	115 369	115 369	115 369	126 906	126 906	139 597	153 557
<b>Households below minimum service level</b>										
Water:	39 349	37 447	39 319	41 285	41 285	41 285	41 285	41 285	41 285	41 285
Sanitation/sewerage:	2 085	1 085	1 139	1 196	1 196	1 196	-	-	-	-
Energy:	-	5 546	5 823	6 114	6 114	6 114	-	-	-	-
Refuse:	-	-	15 000	2 000	2 000	2 000	12 000	12 000	12 000	12 000

**Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget if borrowing is used to fund capital projects.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. .
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

**Table 15 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

GT481 Mogale City - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		348 400	338 432	357 918	361 654	387 626	387 626	417 139	442 705	471 222
Executive and council		3 006	2 234	1 776	8 549	5 697	5 697	8 545	8 748	9 393
Budget and treasury office		332 877	327 177	350 055	345 399	366 745	366 745	395 655	421 242	448 363
Corporate services		12 517	9 021	6 087	7 706	15 185	15 185	12 939	12 715	13 466
<i>Community and public safety</i>		96 830	161 533	155 439	120 356	127 531	127 531	129 987	133 895	138 526
Community and social services		67 313	83 425	124 525	74 513	75 457	75 457	85 712	91 203	96 228
Sport and recreation		12 395	10 272	19 745	25 553	27 078	27 078	20 220	18 605	18 177
Public safety		13 589	67 755	11 089	20 210	22 640	22 640	23 988	24 016	24 046
Housing		89	75	80	76	2 357	2 357	66	70	75
Health		3 444	5	-	4	-	-	-	-	-
<i>Economic and environmental services</i>		20 523	134 436	76 510	84 952	96 796	96 796	55 692	47 073	48 306
Planning and development		2 359	2 389	4 175	15 434	20 313	20 313	28 889	20 159	21 274
Road transport		17 111	30 429	66 325	68 109	75 553	75 553	25 807	25 859	25 913
Environmental protection		1 053	101 618	6 010	1 408	930	930	996	1 055	1 119
<i>Trading services</i>		952 457	1 133 967	1 259 578	1 397 820	1 343 246	1 343 246	1 518 503	1 634 939	1 758 687
Electricity		546 888	659 252	754 672	857 658	816 910	816 910	895 408	966 002	1 033 419
Water		163 098	183 413	203 559	228 410	227 602	227 602	253 302	274 551	303 067
Waste water management		125 242	169 233	155 275	153 837	144 485	144 485	167 874	179 879	192 019
Waste management		117 228	122 069	146 071	157 916	154 249	154 249	201 919	214 506	230 182
<i>Other</i>	4	-	47	13	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	1 418 210	1 768 415	1 849 458	1 964 782	1 955 199	1 955 199	2 121 320	2 258 611	2 416 740
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		325 719	401 941	523 515	490 719	554 413	554 413	587 762	617 783	650 993
Executive and council		45 553	34 560	63 052	73 607	91 939	91 939	95 567	101 713	109 065
Budget and treasury office		147 991	196 578	288 891	216 706	257 139	257 139	265 309	278 881	291 364
Corporate services		132 175	170 802	171 572	200 406	205 335	205 335	226 886	237 188	250 564
<i>Community and public safety</i>		203 319	200 511	222 780	273 495	284 789	284 789	309 287	319 924	338 545
Community and social services		40 082	36 773	37 567	58 080	53 409	53 409	64 686	64 625	68 413
Sport and recreation		65 844	56 717	66 568	90 241	94 117	94 117	101 837	105 435	111 676
Public safety		78 898	93 404	111 318	110 421	125 867	125 867	134 368	141 995	150 081
Housing		8 446	8 781	7 088	8 366	11 179	11 179	8 138	7 593	8 077
Health		10 050	4 836	238	6 387	217	217	258	277	298
<i>Economic and environmental services</i>		173 118	181 653	202 461	210 480	210 149	210 149	223 086	233 405	246 195
Planning and development		27 821	27 952	24 982	34 983	30 204	30 204	35 491	37 336	39 298
Road transport		138 935	145 452	170 687	165 394	177 568	177 568	185 143	193 484	204 173
Environmental protection		6 363	8 249	6 792	10 102	2 377	2 377	2 451	2 584	2 724
<i>Trading services</i>		800 801	934 483	953 689	1 126 298	1 135 873	1 135 873	1 269 094	1 365 499	1 459 803
Electricity		444 329	520 833	553 315	639 766	635 438	635 438	707 999	769 316	826 796
Water		200 916	221 253	237 922	266 195	279 549	279 549	301 272	324 262	346 737
Waste water management		77 847	87 332	66 157	111 574	98 702	98 702	115 953	123 054	130 472
Waste management		77 709	105 065	96 295	108 764	122 184	122 184	143 869	148 868	155 797
<i>Other</i>	4	684	594	624	642	831	831	725	772	821
<b>Total Expenditure - Standard</b>	3	1 503 642	1 719 182	1 903 069	2 101 634	2 186 056	2 186 056	2 389 954	2 537 382	2 696 356
<b>Surplus/(Deficit) for the year</b>		(85 433)	49 233	(53 612)	(136 852)	(230 857)	(230 857)	(268 634)	(278 771)	(279 616)

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the total revenue on this table includes capital revenues (transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions such as that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

**Table 16 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

GT481 Mogale City - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Revenue by Vote	1									
Vote 1 - POLITICAL OFFICE		206	142	2	5 652	3 467	3 467	3 709	3 932	4 168
Vote 2 - STRATEGIC SUPPORT SERVICES		19	-	-	-	-	-	934	-	-
Vote 3 - CHIEF OPERATING OFFICER		3 537	2 096	1 784	2 901	3 564	3 564	4 837	4 817	5 226
Vote 4 - CORPORATE SUPPORT SERVICES		11 685	8 994	5 184	7 778	15 213	15 213	12 071	12 785	13 541
Vote 5 - MUNICIPAL FINANCIAL SERVICES		332 877	327 101	350 055	345 399	366 745	366 745	395 655	421 242	448 363
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE		126 276	237 124	175 057	172 911	170 140	170 140	178 720	189 833	200 346
Vote 7 - SOCIAL SERVICES		104 679	167 096	157 314	125 729	135 856	135 856	142 814	146 774	154 371
Vote 8 - ECONOMIC SERVICES		2 539	2 594	4 300	15 543	22 715	22 715	29 004	20 281	21 404
Vote 9 - INFRASTRUCTURE SERVICES		836 393	1 023 269	1 155 761	1 288 870	1 237 499	1 237 499	1 353 576	1 458 948	1 569 323
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	1 418 210	1 768 415	1 849 458	1 964 782	1 955 199	1 955 199	2 121 320	2 258 611	2 416 740
Expenditure by Vote to be appropriated	1									
Vote 1 - POLITICAL OFFICE		32 000	27 647	48 120	57 237	66 059	66 059	65 133	69 842	75 162
Vote 2 - STRATEGIC SUPPORT SERVICES		4 893	5 855	9 433	13 864	16 152	16 152	16 585	17 526	18 544
Vote 3 - CHIEF OPERATING OFFICER		39 900	42 226	50 514	69 236	75 209	75 209	71 249	74 883	79 213
Vote 4 - CORPORATE SUPPORT SERVICES		57 621	64 345	79 478	92 618	100 825	100 825	123 324	127 845	135 097
Vote 5 - MUNICIPAL FINANCIAL SERVICES		140 000	178 728	288 891	216 706	257 139	257 139	265 309	278 881	291 364
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE		135 896	180 388	154 506	180 242	187 995	187 995	214 452	221 171	232 346
Vote 7 - SOCIAL SERVICES		159 614	184 845	202 619	217 441	225 237	225 237	250 979	261 758	277 049
Vote 8 - ECONOMIC SERVICES		37 019	36 630	32 180	43 066	41 289	41 289	43 449	44 743	47 181
Vote 9 - INFRASTRUCTURE SERVICES		896 700	998 518	1 037 328	1 211 223	1 216 151	1 216 151	1 339 473	1 440 734	1 540 399
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	1 503 642	1 719 182	1 903 069	2 101 634	2 186 056	2 186 056	2 389 954	2 537 382	2 696 356
Surplus/(Deficit) for the year	2	(85 433)	49 233	(53 612)	(136 852)	(230 857)	(230 857)	(268 634)	(278 771)	(279 616)

### Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Mogale City. This means it is possible to present the operating surplus or deficit of a vote.
2. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

**Table 17 Surplus/ (Deficit) calculations for the trading services**

Standard Classification Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Electricity:</b>									
Total Revenue (incl capital grants and transfers)	546 888	659 328	754 672	857 658	816 910	816 910	895 408	966 002	1 033 419
Operating Expenditure	444 329	520 833	553 315	639 766	635 438	635 438	707 999	769 316	826 796
<b>Surplus/(Deficit) for the year</b>	<b>102 559</b>	<b>138 495</b>	<b>201 357</b>	<b>217 892</b>	<b>181 472</b>	<b>181 472</b>	<b>187 409</b>	<b>196 686</b>	<b>206 623</b>
<b>Percentage Surplus</b>	<b>19%</b>	<b>21%</b>	<b>27%</b>	<b>25%</b>	<b>22%</b>	<b>22%</b>	<b>21%</b>	<b>20%</b>	<b>20%</b>
<b>Water:</b>									
Total Revenue(including capital grants & transfers)	163 098	183 413	203 559	228 410	227 602	227 602	253 302	274 551	303 067
Operating Expenditure	200 916	221 253	237 922	266 195	279 549	279 549	301 272	324 262	346 737
<b>Surplus/(deficit) for the year</b>	<b>-37 818</b>	<b>-37 840</b>	<b>-34 363</b>	<b>-37 785</b>	<b>-51 947</b>	<b>-51 947</b>	<b>-47 970</b>	<b>-49 711</b>	<b>-43 670</b>
<b>Percentage Surplus</b>	<b>-23%</b>	<b>-21%</b>	<b>-17%</b>	<b>-17%</b>	<b>-23%</b>	<b>-23%</b>	<b>-19%</b>	<b>-18%</b>	<b>-14%</b>

3. The electricity trading surplus is decreasing over the 2014/15 MTREF from 21 per cent or R187 million in 2014/15 to 20 per cent during 2016/17. This is primarily as a result of the high increases in Eskom bulk purchases.
4. Water has experienced a deficit from 2010/11 of about 23 per cent and decreases to 14 per cent during 2016/17. This is mainly due to high water losses and tariffs that are not cost reflective.
5. Note that the surpluses on electricity is utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure.

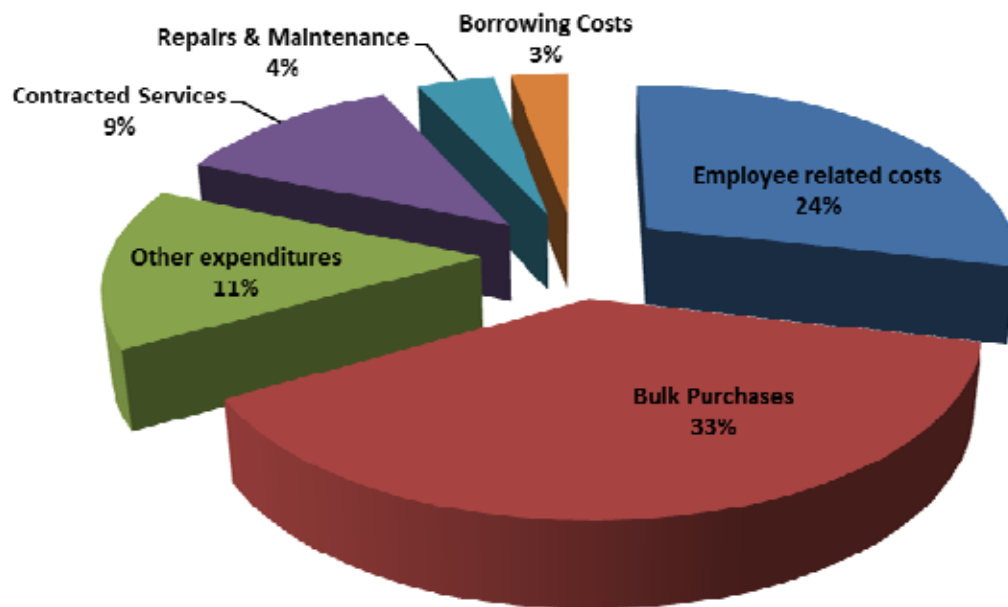
**Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

GT481 Mogale City - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>	<b>1</b>										
<b>Revenue By Source</b>											
Property rates	2	217 375	247 753	272 542	286 716	289 908	289 908	289 908	316 406	335 390	355 513
Property rates - penalties & collection charges		12 226	12 747	20 863	18 393	30 261	30 261	30 261	32 486	34 887	37 465
Service charges - electricity revenue	2	506 843	619 676	695 821	805 124	761 255	761 255	761 255	833 172	894 743	960 865
Service charges - water revenue	2	147 987	169 383	164 254	210 711	208 805	208 805	208 805	229 868	248 488	268 615
Service charges - sanitation revenue	2	73 859	85 747	94 007	110 452	101 101	101 101	101 101	111 476	120 394	130 026
Service charges - refuse revenue	2	61 516	76 556	91 131	100 711	97 033	97 033	97 033	105 544	111 877	118 589
Service charges - other		-	-	22 941	-	-	-	-	-	-	-
Rental of facilities and equipment		7 739	3 149	2 821	3 233	3 278	3 278	3 278	3 508	3 718	3 941
Interest earned - external investments		4 518	4 717	13 598	1 000	2 938	2 938	2 938	1 468	1 468	1 468
Interest earned - outstanding debtors		7 547	10 202	10 349	9 232	12 834	12 834	12 834	13 732	14 556	15 429
Dividends received		11	13	-	-	-	-	-	-	-	-
Fines		13 159	11 036	10 487	19 583	22 191	22 191	22 191	23 522	23 522	23 522
Licences and permits		31	23	17	17	22	22	22	24	25	27
Agency services		15 926	18 999	24 950	19 075	24 950	24 950	24 950	24 950	24 950	24 950
Transfers recognised - operational		193 657	213 806	227 488	234 461	239 210	239 210	239 210	253 835	272 830	301 100
Other revenue	2	86 897	205 629	75 490	39 355	50 870	50 870	50 870	52 167	53 818	55 568
Gains on disposal of PPE		(105)	4 220	-	-	439	439	439	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>1 349 186</b>	<b>1 683 657</b>	<b>1 726 759</b>	<b>1 858 064</b>	<b>1 845 095</b>	<b>1 845 095</b>	<b>1 845 095</b>	<b>2 002 159</b>	<b>2 140 667</b>	<b>2 297 080</b>
<b>Expenditure By Type</b>											
Employee related costs	2	373 271	397 068	437 997	512 968	498 404	498 404	498 404	570 155	606 645	645 470
Remuneration of councillors		16 313	17 954	19 019	22 056	25 806	25 806	25 806	28 387	31 225	34 348
Debt impairment	3	48 032	82 208	28 533	57 700	55 696	55 696	55 696	45 775	65 407	70 097
Depreciation & asset impairment	2	229 461	210 655	240 680	251 615	281 809	281 809	281 809	281 809	297 027	313 066
Finance charges		33 209	45 285	45 072	39 488	40 252	40 252	40 252	58 067	54 577	51 423
Bulk purchases	2	440 397	540 935	607 052	683 805	691 148	691 148	691 148	760 524	821 903	888 234
Other materials	8	-	-	-	-	-	-	-	-	-	-
Contracted services		122 485	146 686	166 899	191 048	225 008	225 008	225 008	233 502	230 180	238 003
Transfers and grants		6 484	19 893	32 510	37 053	38 294	38 294	38 294	40 650	40 655	42 823
Other expenditure	4, 5	233 990	258 497	325 307	305 901	329 638	329 638	329 638	371 085	389 764	412 892
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>1 503 642</b>	<b>1 719 182</b>	<b>1 903 069</b>	<b>2 101 634</b>	<b>2 186 056</b>	<b>2 186 056</b>	<b>2 186 056</b>	<b>2 389 954</b>	<b>2 537 382</b>	<b>2 696 356</b>
<b>Surplus/(Deficit)</b>		<b>(154 456)</b>	<b>(35 525)</b>	<b>(176 311)</b>	<b>(243 570)</b>	<b>(340 962)</b>	<b>(340 962)</b>	<b>(340 962)</b>	<b>(387 795)</b>	<b>(396 715)</b>	<b>(399 276)</b>
Transfers recognised - capital		69 024	84 758	122 699	106 718	110 104	110 104	110 104	119 161	117 944	119 660
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(85 433)</b>	<b>49 233</b>	<b>(53 612)</b>	<b>(136 852)</b>	<b>(230 857)</b>	<b>(230 857)</b>	<b>(230 857)</b>	<b>(268 634)</b>	<b>(278 771)</b>	<b>(279 616)</b>
Taxation		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		<b>(85 433)</b>	<b>49 233</b>	<b>(53 612)</b>	<b>(136 852)</b>	<b>(230 857)</b>	<b>(230 857)</b>	<b>(230 857)</b>	<b>(268 634)</b>	<b>(278 771)</b>	<b>(279 616)</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(85 433)</b>	<b>49 233</b>	<b>(53 612)</b>	<b>(136 852)</b>	<b>(230 857)</b>	<b>(230 857)</b>	<b>(230 857)</b>	<b>(268 634)</b>	<b>(278 771)</b>	<b>(279 616)</b>
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		<b>(85 433)</b>	<b>49 233</b>	<b>(53 612)</b>	<b>(136 852)</b>	<b>(230 857)</b>	<b>(230 857)</b>	<b>(230 857)</b>	<b>(268 634)</b>	<b>(278 771)</b>	<b>(279 616)</b>

### Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

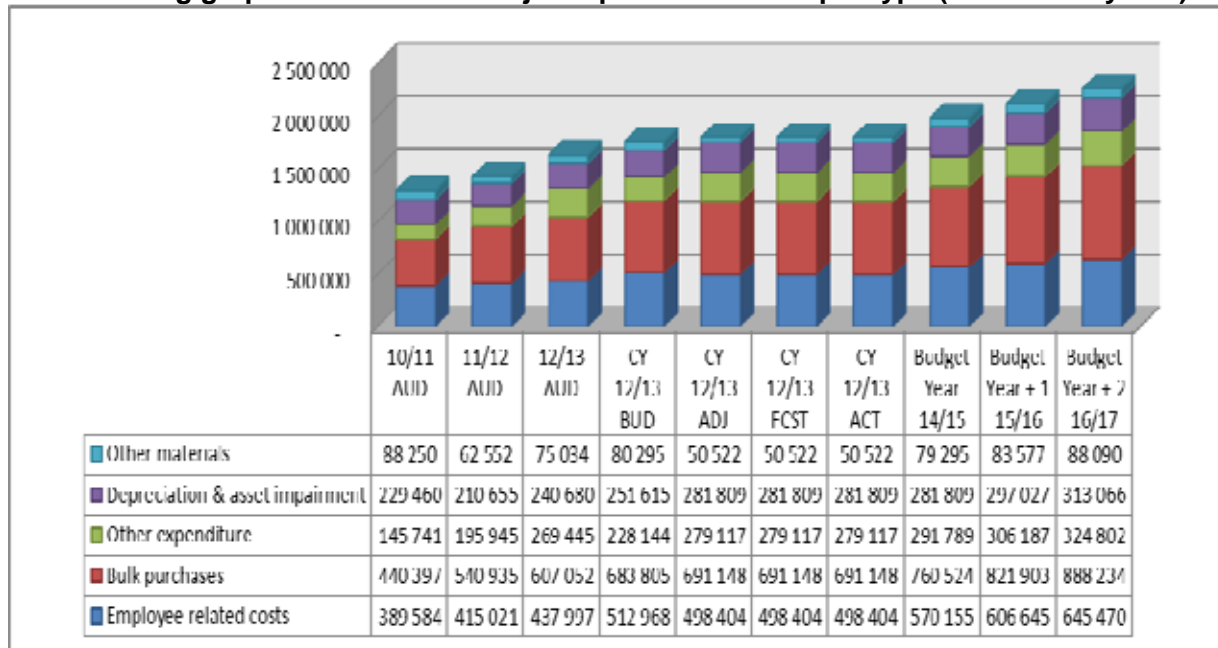
1. Total revenue is R2 002 billion in 2014/15 and escalates to R2 297 billion by 2016/17. This represents a year-on-year increase of 8.51 per cent for the 2014/15 financial year and slightly decreases to 7.3 per cent for the 2016/17 financial year.
2. Revenue to be generated from property rates is R316 million or increase of 9.14 per cent during 2014/15 financial year and increases to R355 million by 2016/17 which represents 5.99 per cent of the operating revenue base of the City and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R1.280 billion for the 2014/15 financial year and increasing to R1.478 billion by 2016/17. For the 2014/15 financial year services charges amount to 64 per cent of the total revenue base and grows by 7.46 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are remaining constant over the MTREF at 13 per cent respectively.
5. The following graph illustrates the major expenditure items per type.



**Figure 8 Expenditure by major type**



6. Bulk purchases have significantly increased over the 2010/11 to 2014/15 period escalating from R440 397 million to R760 524 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Rand Water.
7. Employee related costs, bulk purchases and contracted services are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.
8. The following graph illustrates the major expenditure items per type (over seven years).



**Figure 9 Expenditure by major type (over seven years)**

**Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

GT481 Mogale City - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - POLITICAL OFFICE		-	-	-	-	-	-	-	-	-	-
Vote 2 - STRATEGIC SUPPORT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - CHIEF OPERATING OFFICER		-	-	-	100	100	100	100	400	400	400
Vote 4 - CORPORATE SUPPORT SERVICES		-	24 361	-	-	-	-	-	-	-	-
Vote 5 - MUNICIPAL FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT		2 012	14 541	23 708	12 665	19 625	19 625	19 625	22 053	21 749	12 698
Vote 7 - SOCIAL SERVICES		17 730	3 706	7 562	25 614	25 614	25 614	25 614	27 202	38 620	14 580
Vote 8 - ECONOMIC SERVICES		-	-	24 763	12 000	12 000	12 000	12 000	52 250	48 037	53 887
Vote 9 - INFRASTRUCTURE SERVICES		128 919	155 917	202 191	104 006	122 607	122 607	122 607	292 267	492 209	399 791
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	<b>148 661</b>	<b>198 525</b>	<b>258 224</b>	<b>154 386</b>	<b>179 946</b>	<b>179 946</b>	<b>179 946</b>	<b>394 172</b>	<b>601 014</b>	<b>481 356</b>
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - POLITICAL OFFICE		13	920	239	-	611	611	611	600	-	-
Vote 2 - STRATEGIC SUPPORT SERVICES		-	3	79	600	-	-	-	959	-	-
Vote 3 - CHIEF OPERATING OFFICER		8 048	35	2 591	400	5 603	5 603	5 603	10 320	16 670	3 590
Vote 4 - CORPORATE SUPPORT SERVICES		28 422	3 727	1 161	1 100	569	569	569	5 777	570	500
Vote 5 - MUNICIPAL FINANCIAL SERVICES		17	107	826	1 000	1 529	1 529	1 529	145	3 500	170
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT		-	133	2 976	3 900	3 740	3 740	3 740	14 607	2 555	2 612
Vote 7 - SOCIAL SERVICES		(5 398)	3 090	32 320	17 671	19 394	19 394	19 394	10 838	2 382	2 200
Vote 8 - ECONOMIC SERVICES		(8 259)	1 049	521	-	-	-	-	2 255	3 820	3 050
Vote 9 - INFRASTRUCTURE SERVICES		13 040	(23 817)	32 597	41 524	42 421	42 421	42 421	22 800	6 690	150
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>35 883</b>	<b>(14 753)</b>	<b>73 309</b>	<b>66 195</b>	<b>73 866</b>	<b>73 866</b>	<b>73 866</b>	<b>68 301</b>	<b>36 187</b>	<b>12 272</b>
<b>Total Capital Expenditure - Vote</b>		<b>184 544</b>	<b>183 773</b>	<b>331 533</b>	<b>220 581</b>	<b>253 812</b>	<b>253 812</b>	<b>253 812</b>	<b>462 473</b>	<b>637 202</b>	<b>493 628</b>
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		<b>36 500</b>	<b>29 153</b>	<b>4 895</b>	<b>3 200</b>	<b>8 411</b>	<b>8 411</b>	<b>8 411</b>	<b>18 201</b>	<b>21 140</b>	<b>4 660</b>
Executive and council		13	922	2 859	1 100	6 314	6 314	6 314	12 279	17 070	3 990
Budget and treasury office		17	107	881	1 000	1 529	1 529	1 529	145	3 500	170
Corporate services		36 470	28 124	1 155	1 100	569	569	569	5 777	570	500
<b>Community and public safety</b>		<b>14 344</b>	<b>16 860</b>	<b>39 907</b>	<b>43 285</b>	<b>45 009</b>	<b>45 009</b>	<b>45 009</b>	<b>38 039</b>	<b>41 002</b>	<b>16 780</b>
Community and social services		(2 770)	27 723	26 177	3 139	5 411	5 411	5 411	7 903	2 100	2 100
Sport and recreation		13 538	(10 864)	8 460	40 114	39 566	39 566	39 566	29 884	38 802	14 580
Public safety		3 577	2	5 244	32	32	32	32	253	100	100
Housing		-	-	26	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		<b>31 521</b>	<b>36 881</b>	<b>95 554</b>	<b>88 090</b>	<b>80 012</b>	<b>80 012</b>	<b>80 012</b>	<b>157 280</b>	<b>180 531</b>	<b>185 546</b>
Planning and development		(8 259)	1 049	25 258	12 000	12 000	12 000	12 000	54 505	51 857	56 937
Road transport		39 780	31 221	49 011	63 525	55 536	55 536	55 536	76 254	113 853	121 759
Environmental protection		4 611	21 284	12 565	12 475	12 475	12 475	12 475	26 521	14 822	6 850
<b>Trading services</b>		<b>102 179</b>	<b>100 878</b>	<b>183 383</b>	<b>75 939</b>	<b>114 851</b>	<b>114 851</b>	<b>114 851</b>	<b>235 452</b>	<b>383 529</b>	<b>285 642</b>
Electricity		38 322	36 692	96 073	5 500	59 127	59 127	59 127	94 880	155 600	102 000
Water		2 706	2 705	22 459	41 114	23 174	23 174	23 174	85 412	116 783	87 511
Waste water management		48 111	49 857	59 452	25 326	21 661	21 661	21 661	45 021	101 663	87 671
Waste management		13 040	11 625	5 400	4 000	10 889	10 889	10 889	10 139	9 483	8 460
<b>Other</b>				<b>7 793</b>	<b>10 066</b>	<b>5 530</b>	<b>5 530</b>	<b>5 530</b>	<b>13 500</b>	<b>11 000</b>	<b>1 000</b>
<b>Total Capital Expenditure - Standard</b>	<b>3</b>	<b>184 544</b>	<b>183 773</b>	<b>331 533</b>	<b>220 581</b>	<b>253 812</b>	<b>253 812</b>	<b>253 812</b>	<b>462 473</b>	<b>637 202</b>	<b>493 628</b>
<b>Funded by:</b>											
National Government		85 305	56 066	105 073	101 394	104 477	104 477	104 477	92 481	95 107	99 273
Provincial Government		(11 468)	14 358	18 663	3 139	3 442	3 442	3 442	26 680	22 837	20 387
District Municipality		-	-	900	2 185	2 185	2 185	2 185	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	<b>73 838</b>	<b>70 424</b>	<b>124 636</b>	<b>106 718</b>	<b>110 104</b>	<b>110 104</b>	<b>110 104</b>	<b>119 161</b>	<b>117 944</b>	<b>119 660</b>
<b>Public contributions &amp; donations</b>	<b>5</b>										
<b>Borrowing</b>	<b>6</b>	<b>35 463</b>	<b>(9 352)</b>	<b>167 773</b>	<b>14 731</b>	<b>23 221</b>	<b>23 221</b>	<b>23 221</b>	<b>239 500</b>	<b>340 479</b>	<b>256 000</b>
<b>Internally generated funds</b>		<b>75 244</b>	<b>122 700</b>	<b>39 124</b>	<b>99 132</b>	<b>120 487</b>	<b>120 487</b>	<b>120 487</b>	<b>103 812</b>	<b>178 779</b>	<b>117 968</b>
<b>Total Capital Funding</b>	<b>7</b>	<b>184 544</b>	<b>183 773</b>	<b>331 533</b>	<b>220 581</b>	<b>253 812</b>	<b>253 812</b>	<b>253 812</b>	<b>462 473</b>	<b>637 202</b>	<b>493 628</b>

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2014/15, R394 million has been allocated to capital budget of which R239 million is funded by proposed loan representing 52 per cent of the total capital budget. This allocation increases to R601 million during 2015/16 and then decreases to R481 million during 2016/17.
3. Single-year capital expenditure has been appropriated at R68 million for the 2014/15 financial year and decreases over the MTREF.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of office furniture and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental requirements as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from national and provincial grants and transfers, borrowing funds and internally generated funds to be raised during 2014/15 financial year. For 2014/15, capital transfers totals R119 million (26 per cent) and increase slightly to R120 million by 2016/17 (24 per cent). Internally generated funding during 2014/15 is appropriated to R104 million or 22 per cent of total capital budget, then proposed budget is R178 million and R118 million for each of the respective financial years of the MTREF. The proposed loan still to be sourced for 2014/15 capital budget is R239 million or 52 per cent of total budget, R349 million and R256 million for each of the respective financial years of the MTREF.

**Table 20 MBRR Table A6 - Budgeted Financial Position**

GT481 Mogale City - Table A6 Budgeted Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
ASSETS											
Current assets											
Cash		17 043	13 563	33 422	579	3 462	3 462	3 462	657	2 296	41 961
Call investment deposits	1	22 864	30 213	56 742	22 145	23 805	23 805	23 805	–	–	–
Consumer debtors	1	293 846	304 659	394 029	321 720	321 720	321 720	321 720	348 927	377 134	377 134
Other debtors		26 405	44 683	45 568	47 185	47 185	47 185	47 185	47 185	47 185	47 185
Current portion of long-term receivables		–	–	–	–	–	–	–	–	–	–
Inventory	2	17 092	11 530	11 163	12 717	12 717	12 717	12 717	12 717	12 717	12 717
Total current assets		377 250	404 647	540 923	404 345	408 889	408 889	408 889	409 486	439 332	478 997
Non current assets											
Long-term receivables											
Investments		35 968	38 244	47 108	44 620	54 543	54 543	54 543	62 084	70 667	80 390
Investment property		594 655	568 269	512 781	600 092	600 092	600 092	600 092	600 092	600 092	600 092
Investment in Associate						–	–	–			
Property, plant and equipment	3	4 912 601	5 131 730	5 229 913	5 289 869	5 289 869	5 289 869	5 289 869	5 294 869	5 291 869	5 291 869
Agricultural		–	–	–							
Biological			3 396	3 617	3 586	3 586	3 586	3 586	3 586	3 586	3 586
Intangible		6 226	4 221	1 026	4 457	4 457	4 457	4 457	4 457	4 457	4 457
Other non-current assets			513	620		–	–	–			
Total non current assets		5 549 450	5 746 372	5 795 064	5 942 624	5 952 547	5 952 547	5 952 547	5 965 088	5 970 671	5 980 394
TOTAL ASSETS		5 926 700	6 151 018	6 335 987	6 346 969	6 361 436	6 361 436	6 361 436	6 374 574	6 410 003	6 459 391
LIABILITIES											
Current liabilities											
Bank overdraft	1	571	–	–							
Borrowing	4	15 007	17 961	21 945	32 594	32 594	32 594	32 594	36 594	41 594	41 594
Consumer deposits		33 294	35 997	39 458	38 013	38 013	38 013	38 013	38 013	38 013	38 013
Trade and other payables	4	387 459	450 237	500 448	457 207	457 207	457 207	457 207	426 884	420 891	421 061
Provisions		11 630	14 147	15 655	23 206	23 206	23 206	23 206	23 206	23 206	23 206
Total current liabilities		447 961	518 342	577 507	551 020	551 020	551 020	551 020	524 697	523 704	523 875
Non current liabilities											
Borrowing		205 032	189 301	350 225	356 297	328 616	328 616	328 616	321 159	313 813	313 813
Provisions		132 035	156 415	174 561	155 779	155 779	155 779	155 779	156 877	161 223	161 223
Total non current liabilities		337 067	345 716	524 786	512 076	484 394	484 394	484 394	478 036	475 036	475 036
TOTAL LIABILITIES		785 027	864 058	1 102 292	1 063 096	1 035 414	1 035 414	1 035 414	1 002 733	998 741	998 911
NET ASSETS	5	5 141 673	5 286 960	5 233 694	5 283 873	5 326 022	5 326 022	5 326 022	5 371 840	5 411 262	5 460 480
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		5 141 673	5 286 960	5 233 694	5 283 873	5 326 022	5 326 022	5 326 022	5 371 840	5 411 262	5 460 480
Reserves	4	–	–	–	–	–	–	–	–	–	–
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	5 141 673	5 286 960	5 233 694	5 283 873	5 326 022	5 326 022	5 326 022	5 371 840	5 411 262	5 460 480

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at

year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 21 MBRR Table A7 - Budgeted Cash Flow Statement**

GT481 Mogale City - Table A7 Budgeted Cash Flows

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		1 180 062	1 388 834	1 520 780	1 811 348	1 833 484	1 833 484	1 833 484	1 990 769	2 066 386	2 178 893
Government - operating	1	182 909	198 644	224 377	234 461	239 876	239 876	239 876	253 835	273 225	295 100
Government - capital	1	78 370	103 357	120 383	106 718	110 104	110 104	110 104	119 161	116 249	117 260
Interest		14 991	14 919	13 598	10 232	15 772	15 772	15 772	15 201	16 024	16 898
Dividends		11	13		–	–	–	–	–	–	–
Payments											
Suppliers and employees		(1 257 661)	(1 467 135)	(1 616 379)	(1 886 242)	(1 885 243)	(1 885 243)	(1 885 243)	(2 055 265)	(2 047 721)	(2 212 805)
Finance charges		(33 209)	(45 285)	(45 072)	(39 488)	(40 252)	(40 252)	(40 252)	(58 067)	(54 577)	(51 423)
Transfers and Grants	1	(6 484)	(19 893)	(32 510)	(37 053)	(38 294)	(38 294)	(38 294)	(40 650)	(40 655)	(42 823)
NET CASH FROM/(USED) OPERATING ACTIVITIES		158 989	173 454	185 178	199 977	235 447	235 447	235 447	224 984	328 931	301 100
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		2 035	9 592	7 541							
Decrease (Increase) in non-current debtors		–	–								
Decrease (Increase) other non-current receivables		–	–								
Decrease (Increase) in non-current investments		(63 500)	–								
Payments											
Capital assets		(189 472)	(168 959)	(318 608)	(220 581)	(253 812)	(253 812)	(253 812)	(462 473)	(637 202)	(493 628)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(250 936)	(159 367)	(311 067)	(220 581)	(253 812)	(253 812)	(253 812)	(462 473)	(637 202)	(493 628)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–								
Borrowing long term/refinancing		41 504	–	190 994					239 500	340 479	256 000
Increase (decrease) in consumer deposits		789	958	727	(1 382)	0	0	0	0	(1 382)	(1 382)
Payments											
Repayment of borrowing		–	(10 605)	(19 445)	(21 945)	(21 945)	(21 945)	(21 945)	(28 621)	(29 188)	(22 425)
NET CASH FROM/(USED) FINANCING ACTIVITIES		42 293	(9 647)	172 277	(23 327)	(21 945)	(21 945)	(21 945)	210 879	309 910	232 193
NET INCREASE/ (DECREASE) IN CASH HELD		(49 655)	4 440	46 388	(43 931)	(40 310)	(40 310)	(40 310)	(26 610)	1 639	39 665
Cash/cash equivalents at the year begin:	2	88 991	39 336	43 775	66 654	67 577	67 577	67 577	27 267	657	2 296
Cash/cash equivalents at the year end:	2	39 336	43 775	90 163	22 723	27 267	27 267	27 267	657	2 296	41 961

**Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation

Table A6: Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	39 336	43 775	90 163	22 723	27 267	27 267	27 267	657	2 296	41 961
Other current investments > 90 days		0	0	0	-	0	0	0	-	-	-
Non current assets - Investments	1	35 968	38 244	47 108	44 620	54 543	54 543	54 543	62 084	70 667	80 390
Cash and investments available:		75 304	82 019	137 271	67 343	81 810	81 810	81 810	62 740	72 962	122 351
Application of cash and investments											
Unspent conditional transfers		10 438	13 874	8 447	8 447	8 447	8 447	8 447	-	-	-
Unspent borrowing		-	-	-	14 731	23 221	23 221	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(15 131)	35 530	(28 816)	(33 889)	(44 148)	(44 148)	(44 148)	(99 369)	(128 734)	(122 315)
Other provisions											
Long term investments committed	4	56 029	59 323	46 659	71 268	54 543	54 543	54 543	62 084	70 667	80 390
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		51 336	108 726	26 290	60 557	42 063	42 063	18 842	(37 286)	(58 067)	(41 925)
Surplus(shortfall)		23 968	(26 708)	110 981	6 786	39 747	39 747	62 968	100 026	131 029	164 276

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. As part of the 2013/14 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations.
4. Cash and cash equivalents at the beginning of year predicts a surplus of R27 267 million and as at the end of the 2014/15 financial year project a surplus of about R657k and increases to R 41 961 million by 2016/17. The surplus position at year end leaves no room for any investment for future needs. Mogale City needs to reduce or curtail some expenditure to start creating a healthy cash-backed reserve.
5. The cash and cash equivalents at the beginning of 2014/15 of R27 267 million consist of R23 805 million placed with RMB on a money market investment which is linked with DBSA loan of R84 million maturing in 2017, this type of investment is called sinking fund. In essence Mogale City's cash and cash equivalents at the beginning of year is only R3 462 million. Cognizance must be taken that this cash flow statement do not include any provision which is cash-backed for 2013/14 expenditures (accruals) to be paid in 2014/15 financial year.

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. From the table above it can be seen that for the period 2010/11 to 2014/15 shows a surplus of R23 968 million to R100 026 million respectively and increases to R164 276 million in 2016/17.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2014/15 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 23 MBRR Table A9 - Asset Management

GT481 Mogale City - Table A9 Asset Management

Description		Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CAPITAL EXPENDITURE											
Total New Assets											
Infrastructure - Road transport	1		52 389	100 839	190 714	82 517	118 512	118 512	303 771	451 333	356 736
Infrastructure - Electricity			-	-	8 536	10 000	2 350	2 350	59 154	85 253	87 839
Infrastructure - Water			38 593	37 137	96 073	5 500	59 118	59 118	83 500	131 560	80 000
Infrastructure - Sanitation			2 706	2 703	20 623	29 263	19 780	19 780	43 500	72 257	47 000
Infrastructure - Other			-	-	-	10 500	3 961	3 961	16 000	66 213	65 600
Infrastructure			-	-	753	-	-	-	3 700	2 000	-
Infrastructure			41 299	39 839	125 984	55 263	85 209	85 209	205 854	357 282	280 439
Community			(9 033)	40 747	30 061	11 304	11 774	11 774	18 424	16 722	8 950
Heritage assets			-	-	-	-	-	-	-	-	-
Investment properties			-	-	-	-	-	-	-	-	-
Other assets	6		14 139	20 253	34 239	13 850	18 826	18 826	71 677	67 059	65 357
Agricultural Assets			-	-	-	-	-	-	100	-	-
Biological assets			-	-	-	-	-	-	-	-	-
Intangibles			5 984	-	430	2 100	2 703	2 703	7 716	10 270	1 990
Total Renewal of Existing Assets											
Infrastructure - Road transport	2		132 155	82 933	140 819	138 064	135 301	135 301	158 702	185 869	136 892
Infrastructure - Electricity			39 780	31 048	40 476	56 762	53 186	53 186	17 000	28 600	33 920
Infrastructure - Water			-	-	7 918	-	-	-	8 000	21 000	19 000
Infrastructure - Sanitation			-	-	53 370	8 614	2 897	2 897	41 912	44 527	40 511
Infrastructure - Other			48 111	49 857	-	14 826	17 700	17 700	26 901	29 300	13 921
Infrastructure			26 167	4 477	4 646	4 000	10 489	10 489	3 000	3 000	3 000
Infrastructure			114 058	85 382	106 410	84 201	84 273	84 273	96 873	126 427	110 352
Community			18 097	(2 449)	29 119	41 614	44 071	44 071	30 985	38 810	14 580
Heritage assets			-	-	-	-	-	-	5 000	-	-
Investment properties			-	-	-	-	-	-	-	-	-
Other assets	6		-	-	5 289	12 248	6 957	6 957	25 904	20 633	11 960
Agricultural Assets			-	-	-	-	-	-	-	-	-
Biological assets			-	-	-	-	-	-	-	-	-
Intangibles			-	-	-	-	-	-	-	-	-
Total Capital Expenditure											
Infrastructure - Road transport	4		39 780	31 048	49 011	66 762	55 536	55 536	76 154	113 853	121 759
Infrastructure - Electricity			38 593	37 137	103 991	5 500	59 118	59 118	91 500	152 560	99 000
Infrastructure - Water			2 706	2 703	73 993	37 877	22 677	22 677	85 412	116 783	87 511
Infrastructure - Sanitation			48 111	49 857	-	25 326	21 661	21 661	42 901	95 513	79 521
Infrastructure - Other			26 167	4 477	5 400	4 000	10 489	10 489	6 700	5 000	3 000
Infrastructure			155 357	125 227	232 395	139 465	169 482	169 482	302 667	483 709	390 797
Community			9 065	38 299	59 180	52 918	55 845	55 845	49 409	55 531	23 530
Heritage assets			-	-	-	-	-	-	5 000	-	-
Investment properties			-	-	-	-	-	-	-	-	-
Other assets			14 139	20 253	39 528	26 098	25 783	25 783	97 581	87 692	77 317
Agricultural Assets			-	-	-	-	-	-	100	-	-
Biological assets			-	-	-	-	-	-	-	-	-
Intangibles			5 984	-	430	2 100	2 703	2 703	7 716	10 270	1 990
TOTAL CAPITAL EXPENDITURE - Asset class											
	2		184 544	183 773	331 533	220 581	253 812	253 812	462 473	637 202	493 628
ASSET REGISTER SUMMARY - PPE (WDV)											
Infrastructure - Road transport	5		2 286 456	2 264 118	2 218 268	2 427 254	2 427 254	2 427 254	2 836 360	2 833 360	2 833 360
Infrastructure - Electricity			989 448	1 018 928	1 081 937	1 015 139	1 015 139	1 015 139	1 015 139	1 015 139	1 015 139
Infrastructure - Water			445 748	469 624	464 834	351 941	351 941	351 941	351 941	351 941	351 941
Infrastructure - Sanitation			491 629	549 173	580 084	411 361	411 361	411 361	411 361	411 361	411 361
Infrastructure - Other			225 313	266 893	265 016	35 666	35 666	35 666	35 666	35 666	35 666
Infrastructure			4 438 595	4 568 735	4 610 139	4 241 361	4 241 361	4 241 361	4 650 467	4 647 467	4 647 467
Community			434 530	518 105	585 662	456 052	456 052	456 052	456 052	456 052	456 052
Heritage assets			51	513	620	427	427	427	427	427	427
Investment properties			594 655	568 269	512 781	600 092	600 092	600 092	600 092	600 092	600 092
Other assets			39 424	44 377	33 492	187 923	187 923	187 923	187 923	187 923	187 923
Agricultural Assets			-	-	-	-	-	-	-	-	-
Biological assets			-	3 396	3 617	3 586	3 586	3 586	3 586	3 586	3 586
Intangibles			6 226	4 221	1 026	4 457	4 457	4 457	4 457	4 457	4 457
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)											
	5		5 513 482	5 707 616	5 747 337	5 493 899	5 493 899	5 493 899	5 903 004	5 900 004	5 900 004
EXPENDITURE OTHER ITEMS											
Depreciation & asset impairment			229 461	210 655	240 680	251 615	281 809	281 809	281 809	297 027	313 066
Repairs and Maintenance by Asset Class			88 250	62 552	75 034	80 295	50 522	50 522	79 295	83 577	88 090
Infrastructure - Road transport	3		10 965	10 730	22 765	12 034	5 334	5 334	10 034	10 576	11 147
Infrastructure - Electricity			27 807	20 898	24 463	28 878	13 541	13 541	28 878	30 437	32 081
Infrastructure - Water			4 676	6 127	7 571	7 392	3 392	3 392	6 392	6 737	7 101
Infrastructure - Sanitation			6 810	5 358	10 348	10 574	7 483	7 483	10 574	11 145	11 747
Infrastructure - Other			4 838	4 541	3 555	1 882	5 871	5 871	3 882	4 091	4 312
Infrastructure			55 097	47 654	68 702	60 760	35 622	35 622	59 760	62 987	66 388
Community			6 502	6 352	6 137	7 509	7 509	7 509	7 509	7 914	8 341
Heritage assets			-	-	-	-	-	-	-	-	-
Investment properties			-	-	-	-	-	-	-	-	-
Other assets	6, 7		26 652	8 546	195	12 027	7 392	7 392	12 027	12 676	13 361
TOTAL EXPENDITURE OTHER ITEMS											
			317 711	273 207	315 714	331 910	332 331	332 331	361 104	380 604	401 157
Renewal of Existing Assets as % of total capex											
Renewal of Existing Assets as % of deprecn"			71.6%	45.1%	42.5%	62.6%	53.3%	53.3%	34.3%	29.2%	27.7%
R&M as a % of PPE			57.6%	39.4%	58.5%	54.9%	48.0%	48.0%	56.3%	62.6%	43.7%
Renewal and R&M as a % of PPE			1.8%	1.2%	1.4%	1.5%	1.0%	1.0%	1.5%	1.6%	1.7%
Renewal and R&M as a % of PPE			4.0%	3.0%	4.0%	4.0%	3.0%	3.0%	4.0%	5.0%	4.0%



### Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.
3. The City meets only one recommendation, 34.5 per cent of capital budget is allocated to renewal of existing assets, repairs & maintenance as a percentage of total budgets for 2014/15 to 2016/17 is 3.3 per cent respectively. Mogale City will continue and strive to renew, upgrade and maintain its assets to deliver better quality service to all.
4. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the City's strategy to address the maintenance backlog.

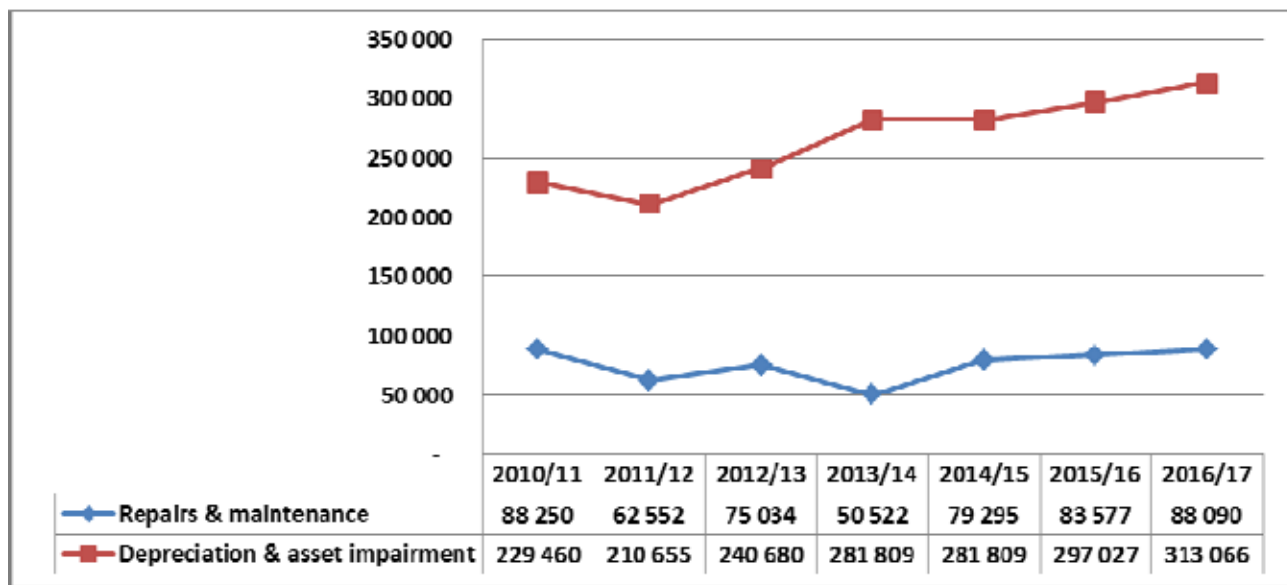


Figure 10 Depreciation in relation to repairs and maintenance over the MTREF

**Table 24 MBRR Table A10 - Basic Service Delivery Measurement**

GT481 Mogale City - Table A10 Basic service delivery measurement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		57 481	58 981	61 930	65 027	65 027	65 027	65 027	65 027	65 027
Piped water inside yard (but not in dwelling)		38 074	38 274	40 188	42 197	42 197	42 197	42 197	42 197	42 197
Using public tap (at least min.service level)	2	4 164	4 464	4 687	4 922	4 922	4 922	5 356	5 376	5 410
Other water supply (at least min.service level)	4	-	-	-	-	-	-	4 648	4 683	4 718
<i>Minimum Service Level and Above sub-total</i>		99 719	101 719	106 805	112 145	112 145	112 145	117 228	117 283	117 352
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	1 309	1 309	1 374	1 443	1 443	1 443	1 443	1 443	1 443
No water supply		38 040	36 138	37 945	39 842	39 842	39 842	39 842	39 842	39 842
<i>Below Minimum Service Level sub-total</i>		39 349	37 447	39 319	41 285	41 285	41 285	41 285	41 285	41 285
<b>Total number of households</b>	5	139 068	139 166	146 124	153 431	153 431	153 431	158 513	158 568	158 637
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		124 216	124 716	323 400	339 570	339 570	339 570	339 570	339 570	339 570
Flush toilet (with septic tank)		58 380	58 400	1 722	1 808	1 808	1 808	1 808	1 808	1 808
Chemical toilet		46 009	46 109	48 414	2 000	2 000	2 000	7 683	7 713	7 743
Pit toilet (ventilated)		-	-	-	-	-	-	521	521	521
Other toilet provisions (> min.service level)		88 640	88 740	93 177	97 836	97 836	97 836	-	-	-
<i>Minimum Service Level and Above sub-total</i>		317 245	317 965	466 713	441 214	441 214	441 214	349 582	349 612	349 642
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		2 085	1 085	1 139	1 196	1 196	1 196	-	-	-
<i>Below Minimum Service Level sub-total</i>		2 085	1 085	1 139	1 196	1 196	1 196	-	-	-
<b>Total number of households</b>	5	319 330	319 050	467 853	442 410	442 410	442 410	349 582	349 612	349 642
<b>Energy:</b>										
Electricity (at least min.service level)		29 041	23 738	24 925	26 171	26 171	26 171	32 713	35 984	39 583
Electricity - prepaid (min.service level)		5 748	5 748	6 035	6 337	6 337	6 337	6 550	7 205	7 926
<i>Minimum Service Level and Above sub-total</i>		34 789	29 486	30 960	32 508	32 508	32 508	39 263	43 189	47 508
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	5 546	5 823	6 114	6 114	6 114	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	5 546	5 823	6 114	6 114	6 114	-	-	-
<b>Total number of households</b>	5	34 789	35 032	36 784	38 623	38 623	38 623	39 263	43 189	47 508
<b>Refuse:</b>										
Removed at least once a week		79 650	81 500	50 029	95 000	95 000	95 000	101 000	106 000	110 000
<i>Minimum Service Level and Above sub-total</i>		79 650	81 500	50 029	95 000	95 000	95 000	101 000	106 000	110 000
Removed less frequently than once a week		-	-	15 000	2 000	2 000	2 000	12 000	12 000	12 000
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	15 000	2 000	2 000	2 000	12 000	12 000	12 000
<b>Total number of households</b>	5	79 650	81 500	65 029	97 000	97 000	97 000	113 000	118 000	122 000
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		2 120	16 978	17 827	18 718	18 718	18 718	40 736	44 810	49 291
Sanitation (free minimum level service)		2 120	8 500	11 000	11 550	11 550	11 550	8 969	9 866	10 852
Electricity/other energy (50kwh per household per month)		2 120	8 500	11 000	11 550	11 550	11 550	8 969	9 866	10 852
Refuse (removed at least once a week)		2 120	8 500	11 000	11 550	11 550	11 550	8 969	9 866	10 852
<b>Cost of Free Basic Services provided (R'000)</b>	8									
Water (6 kilolitres per household per month)		58 459	66 000	69 300	72 765	72 765	72 765	80 041	88 046	96 850
Sanitation (free sanitation service)		2 071	12 384	13 003	13 653	13 653	13 653	15 018	16 520	18 172
Electricity/other energy (50kwh per household per month)		4 683	4 631	4 863	5 106	5 106	5 106	5 617	6 178	6 796
Refuse (removed once a week)		1 927	8 604	9 034	9 486	9 486	9 486	10 434	11 478	12 625
<b>Total cost of FBS provided (minimum social package)</b>		67 139	91 619	96 200	101 010	101 010	101 010	111 111	122 222	134 444
<b>Highest level of free service provided</b>										
Property rates (R value threshold)		-	-	-	-	-	-	398	438	481
Water (kilolitres per household per month)		-	-	-	-	-	-	6	6	6
Sanitation (kilolitres per household per month)		-	-	-	-	-	-	6	6	6
Sanitation (Rand per household per month)		-	-	-	-	-	-	160	170	180
Electricity (kwh per household per month)		-	-	-	-	-	-	50	50	50
Refuse (average litres per week)		-	-	-	-	-	-	121	128	136
<b>Revenue cost of free services provided (R'000)</b>	9									
Property rates (R15 000 threshold rebate)		878	400	420	441	441	441	485	534	587
Property rates (other exemptions, reductions and rebates)		1 463	16 485	17 310	18 175	18 175	18 175	19 993	21 992	24 191
Water		9 029	66 678	70 012	73 512	73 512	73 512	80 864	88 950	97 845
Sanitation		23 764	12 384	13 003	13 653	13 653	13 653	15 018	16 520	18 172
Electricity/other energy		26 408	93	97	102	102	102	112	124	136
Refuse		40 050	8 604	9 034	9 486	9 486	9 486	10 434	11 478	12 625
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies		-	-	-	-	-	-	-	-	-
Other		68 079	-	-	-	-	-	-	-	-
<b>Total revenue cost of free services provided (total social package)</b>	6	169 671	104 643	109 876	115 369	115 369	115 369	126 906	139 597	153 557

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The City continues to make progress with the eradication of backlogs:
  - a. Water services – backlog (no water supply) will be reduced by 1 897 households during 2014/15 financial from 37 945 during 2012/13. These households are largely found in ‘rural areas’ and these areas are the key focus priority of the City in eradicating poverty and low service delivery.
  - b. Sanitation services – backlog have been eradicated as the City is providing or renting chemical toilets mostly for Informal Settlements in rural areas.
  - c. Electricity services - as indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised.
3. The budget provides for 8 969 households to be registered as indigent in 2014/15 currently Mogale City is providing free basic services to 5 000 households. The number is set to increase to 20 000 households given the rapid rate of in-migration to the City, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R111 111 million in 2014/15, increasing to R134 444 million in 2016/17. This is covered by the municipality’s equitable share allocation from national government.
5. In addition to the Free Basic Services in terms of property rates rebates, the City also ‘gives’ households R19 993 million in free services during 2014/15, and it increases to R24 191 million in 2016/17. This ‘tax expenditure’ needs to be seen within the context of the municipality’s overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the ‘free services’ represent about 0.99 per cent of total operating revenue.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required IDP and budget time schedule on 30 August 2013. Key dates applicable to the process were:

- **August 2013** – Submission of unaudited draft Annual Report to MPAC and AGSA
- December 2013 – Tabling of Annual Report
- December 2013 – Oversight Report made public & submitted to National Treasury & Cogta.
- **October 2013** – Presentation to councillors, review of 2013/14 public participation to determine what needs to be improved and possible alternatives for the next public participation, review of first quarter performance, determine service delivery priorities, agree on MTFF and its assumptions and agree on initial cash limits for each department.
- **November 2013** – Executive Managers/Managers complete stage 1 IDP/Budget input forms;
- **October-November 2013** - Public Participation Process
- **January 2014** – Tabling of the midyear performance review
- **February 2014** – Submission of stage II input forms by Executive Managers;
- **27 February 2014** - Council considers the 2013/14 Adjustments Budget;
- **31 March 2014** - Tabling in Council of the draft 2014/15 IDP and 2014/15 MTREF for public consultation;
- **April 2014** – Public consultation;
- **April 2014** – Responses to and incorporation of comments including Portfolio Committees inputs
- **June 2014** - Tabling of the 2014/15 MTREF before Council for consideration and approval.

## **2.2 Overview of budget related-policies**

2.3.1 Various policies approved by Council underpin governance and the financial functioning of the municipality and are relevant to the budget process. The purpose of this section of the Budget Report is to indicate the key policies in this regard and to seek approval for any new or amended policies by Council.

2.3.2 The following budget related policies approved by Council for the implementation in the 2010/11, 2011/12 and 2013/14 financial years remain in force for the 2014/15 financial year:

1. Immovable Property, Plant & Equipment Policy
2. Write Off Policy
3. Sports & Recreation Facilities Tariff Policy
4. General Tariff Policy
5. Virement Policy
6. Funding & Reserves Policy
7. Directives for Deviations from the normal SCM Process
8. Public Safety Tariff Policy
9. Development Contribution for Engineering Services Policy
10. Water Services By-laws

### **2.2.3 Review of Property Rates Policy**

#### **Changes are proposed to the 2013/2014 Property Rates Policy as follows:**

1. Addition of a new definition: Section 2.17. Mining property.
2. Addition of a new Category- Mining property: Section 7.1.22.
3. Addition of new categories below section 7.1.
4. Categories of sectional titles properties will be included as Residential- sectional- 7.1.1, industrial sectional -7.1.4.and business sectional in sub-sections 7.1.6.
5. State owned properties are split into state owned properties- residential 7.1.10 and state owned properties – non- residential 7.1.11.
6. Vacant stands category is also split into two categories of vacant stands – non – residential in sub-section 7.1.15 and vacant stands – residential in sub-section 7.1.16.
7. Under Section 18.1. (a) Added after every 4 years.

### 2.3.4 Review of Budget Management Policy

#### **Summary of changes & additions to the 2010/2011 Budget Management Policy as follows:**

1. To assist Executive Mayor, Mayoral Committee, Accounting Officer, Executive Managers, Managers and Officials – included all officials to extend the users of the policy - page 5
2. General Accepted Municipal Accounting Practice (GAMAP) - deleted on page 4
3. The main recommendation is that the attached budget management policy be approved for implementation on 1<sup>st</sup> July 2014. – Changed the date of the commencement of the reviewed policy - page 5
4. "departments" - inserted the use of the word departments – page 6
5. and all officials – included the word all officials page 6
6. all departments' relationships across the municipality – included the word all to extend the usage of the policy by all page 7
7. Executive Mayor - included the word executive to precede the Mayor – page 8
8. the Integrated Development Plan – expanded on the abbreviation – page 9
9. Municipality's financial planning through determination of priorities, which priorities should be funded by annual budget over the MTREF period – extended on the process of defining the funding of priorities – page 9
10. funds are spent and exceed the revenue that was raised/levied - extended the definition of the concept of deficit. – page 10
11. MTREF – Medium term revenue and expenditure framework (the base year plus the two outer years) – inserted the definition of MTREF – page 11
12. in terms of MFMA – added the words to denote from where the definition of the official is extracted from. – page 12
13. PROCESS CHARTING - is a technique to help identity, define, and link all of the activities together so that everyone understands the process; the responsibilities of his or her organization; and the sequence of events – added the definition of process chatting – page 12.
14. PROGRAMME BUDGETING – Used by National and Provincial Governments as well as Local authorities. Activities performed by departments are classified as programmes that describe what the department and local authorities are going to achieve – page 12

15. by legislation and all regulations. – added the wording to emphasis the importance of regulations – page 14

16. and regulations – added the following regulations – page 16

- MUNICIPAL BUDGET AND REPORTING REGULATIONS
- SUPPLY CHAIN REGULATIONS

17. Restructured certain sections of the policy under the following heading – page 17

- Financial Planning and Coordination
- Financial Modeling
- Budget Monitoring and Control
- Fund Transfers and Adjustments (removed to form part on new policy on adjustment budget)

18. The goal of this Budget Management Policy is to provide all officials with guidelines with respect to the planning and budgeting processes as detailed in this document. The paragraph was removed - page 18.

19. Added the following paragraphs to emphasis the need to prepare a credible budget and at the same time emphasizing the importance of affordability of rates by residents – page 19:

- The municipality must prepare a credible budget that is in consistence with the IDP and be achievable in terms of service delivery and performance targets; revenue and expenditure projections.
- The budget must be realistic and the implementation thereof must improve financial viability of the municipality
- The budget should be prepared on a limited basis such that the expenditure is limited to the actual revenue received in the previous year and any additional
- funds received should be credited to the reserve fund as per funding and reserve policy.
- Maintain best practice logics within the planning context always taking into consideration both internal (capacity building) and external (economic, employment, CPI, Census) factors within planning context and always take into consideration the funded budget constraints.
- Tariff increase to respond to the following:
  - ✓ Population growth rate
  - ✓ Cost of providing trading services
  - ✓ Affordability of services by residents
  - ✓ Indigent policy

- The municipality will strive to renew, upgrade and maintain its assets to deliver services; this will be achieved with the allocation of 2% of the total value of assets on maintenance over the MTREF period and 40% of the capital budget for assets renewal.
- Review Provincial and National unfunded mandates as they pose institutional and financial risks to the municipality since substantial amount of own funding is allocated to non-core functions at the expense of service delivery.

20. Included the following paragraphs to ensure that financial planning is aligned to the national and provincial plans – page 22:

- To ensure that municipality planning speaks to the overall government policies (G2055 strategic pathway ,National and Provincial outcome and NDP )
- To ensure that the municipality development strategy objectives are achieved through the Integrated Development Plan ,MTREF,SDBIP and the Budget process
- To ensure compliance with set standards in accordance with performance management framework.

21. Added the following paragraphs to ensure that the time schedule of the key deadlines forms part of the policy – page 24

- Section 21 (a) of the MFMA prescribes that the” Mayor of the Municipality must co-ordinate the process for preparing the annual budget and for reviewing the municipality’s integrated development plan and budget related policies to ensure that the tabled budget and any revisions of the IDP and budget related policies are mutually consistent and credible”,
- Section 21 (b) further prescribes that such co-ordination must be reduced to a comprehensive plan detailing the key deadline for the preparation, tabling and approval of the budget, the annual review of the integrated development plan and budget related policies, this has to be tabled at least 10 months before the start of the budget year.
- The Budget Committee chaired by MMC of Finance is tasked with ensuring that the budget time framework is implemented.
- According to section 22 of the MFMA, immediately after the tabled budget is tabled in a municipal council the accounting officer must make public the budget and documents; Invite the local community to submit representations in connection with the budget; and submit the budget to the National Treasury and the relevant provincial treasury in printed and electronic formats.
- The Ward Committees play a significant role in conducting various consultative meetings to receive submissions from stakeholder’s formations.
- After considering all budget submissions, the Council must give the Executive Mayor an opportunity to respond to the submissions; and if necessary, to revise the budget and table amendments for consideration by the council.



### **2.3.5 Review of Adjustment Budget Policy**

**This policy is amended from Budget Management policy.**

**Summary of changes & additions to the 2010/11 Budget Management Policy as follows:**

1. An adjustment may be tabled in the municipal council at any time after the mid-year budget and performance assessments has been tabled in the council, but not later than 28 February of the current year. Addition on page 4 as per Local Government: Municipal Finance Management Act 56 of 2003, Regulations.
2. Only one adjustments budget may be tabled in the municipal council during a financial year, except when the additional revenues are allocated to a municipality in a national or provincial adjustments budget. Addition on page 4 as per Local Government: Municipal Finance Management Act 56 of 2003, Regulations.
3. An adjustments budget as per MFMA section 28 (2) (g) may only authorize unauthorized expenditure as anticipated by section 32 (2) (a) (i) of the MFMA, and must deal with -
  - ✓ A special adjustments budget tabled I the municipal council when the mayor tables the annual report in terms of section 127 (2) of the Act, which may only deal with unauthorized expenditure from the previous financial year which the council is being requested to authorize in terms of section 32 (2) (a) (i) of the MFMA. Addition on page 4 as per Local Government: Municipal Finance Management Act 56 of 2003, Regulations.

### **2.3.6 Review of credit control and debt collection policy**

**Changes and additions are proposed to the 2013/14 policy as follows:**

1. On Clause 4.2 (e) correct has been removed.
2. Clause 5.7. unregistered and or tenants added
3. On clause 5.7.1. exception of business and industrial accounts clause has been added
4. On clause 6.1. Manager Revenue is replaced by Municipality and in order to ensure that correct postal details are on the system has been removed
5. The municipality does not allow phone in and emailed reading in excess of three consecutive month clause is added on 6.3 paragraph 3.
6. Default on arrangement made in terms of section 118 of the Systems Act of 200 is subjected to disconnections clause is added on 6.3 (c)
7. Debtor's property physical is added on clause 6.4.1
8. Manager Credit control replaced Chief Financial Officer on clause 6.5.2(b)
9. 24 hours was replaced with 48 on clause 6.5.3
10. Due date on clause 6.4.1 has been removed.

**All the above policies are available on the City's website, as well as the following budget related policies:**

1. Immovable Property, Plant & Equipment Policy
2. Write Off Policy
3. Sports & Recreation Facilities Tariff Policy
4. General Tariff Policy
5. Virement Policy
6. Funding & Reserves Policy
7. Directives for Deviations from the normal SCM Process
8. Public Safety Tariff Policy
9. Development Contribution for Engineering Services Policy
10. Water Services By-laws

## **2.3 Overview of budget assumptions**

### **2.3.1 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 24 per cent of total operating expenditure in the 2014/15 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

### **2.3.2 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2014/15 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments.

### **2.3.3 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (97 per cent) of annual billings. Cash flow is assumed to be 97 per cent of billings, plus an increased collection of arrear debt from the revised credit control and debt collection policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### **2.3.4 Salary increases**

The multi-year Salary and Wage Collective Agreement provides for a wage increase based on the average CPI for the period 1 February 2013 until 31 January 2014, plus 1 per cent for the 2014/15 financial year. The average CPI for this period is 5.79 per cent, therefore municipalities should provide for increases related to salaries and wages for 2014/15 budget year of 6.79 per cent (5.79 per cent plus 1 per cent). However we propose to budget for 6.8 per cent extra 0.01% is for notch increases factored in. The agreement also provides for a 1 per cent increase for the 2015/16 financial year. The overall increase in salaries is 14 per cent, which 6.8 per cent for general expenditure and 7.2 per cent is for notch increases, filling of critical positions and other non-inflation linked items like overtime, annual bonuses, long service awards, leave payments.

### 2.3.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Expanding investment in infrastructure
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

The medium-term expenditure framework (MTEF) presented by Minister of Finance in February 2014 indicates that the budget policy framework for the next three years is designed to manage risk in a constrained fiscal environment, while building a foundation for economic growth which is supported by the implementation of the National Development Plan (NDP).

The NDP has been implemented to create a framework to accelerate economic growth, eliminate poverty and reduce inequality. The budget policy framework for the next three years reflects greater alignment with the plan, as spending programmes begin to address economic constraints and the need for greater state efficiency. The NDP identifies a number of microeconomic reforms needed to boost economic growth. These include reducing the cost of living for poor households and the costs of doing business, support for small, medium and micro enterprises (SMMEs), entrepreneurs and business start-ups, a greener and more sustainable economy, support for local production and employment through government procurement and broadening and strengthening industrial development.

**MFMA Circular No 72** encourages municipalities to revise their spending plans and reprioritise funds to ensure key objectives are achieved and well-performing programmes are supported. Expenditure plans need to reflect both the medium-term investment plans and long-term goals identified in the NDP. Over the next three years, government as a whole will have to learn to do more with less. The efficiencies that are achieved will protect public finances and enable the country to accelerate development when economic conditions improve. Local government must ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform the planning framework of all municipalities. Consequently, municipal revenues and cash flows are expected to remain under pressure in 2014/15 and ***municipalities must adopt a conservative approach when projecting their expected revenues and cash receipts.***

In addition, municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. Municipalities should also pay particular attention to managing revenue effectively and carefully evaluate all spending decisions.

### 2.3.6 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 25 MBRR Table A7 - Budget cash flow statement**

GT481 Mogale City - Table A7 Budgeted Cash Flows

Description		Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Ratepayers and other			1 180 062	1 388 834	1 520 780	1 811 348	1 833 484	1 833 484	1 833 484	1 990 769	2 066 386	2 178 893
Government - operating		1	182 909	198 644	224 377	234 461	239 876	239 876	239 876	253 835	273 225	295 100
Government - capital		1	78 370	103 357	120 383	106 718	110 104	110 104	110 104	119 161	116 249	117 260
Interest			14 991	14 919	13 598	10 232	15 772	15 772	15 772	15 201	16 024	16 898
Dividends			11	13		-	-	-	-	-	-	-
Payments												
Suppliers and employees			(1 257 661)	(1 467 135)	(1 616 379)	(1 886 242)	(1 885 243)	(1 885 243)	(1 885 243)	(2 055 265)	(2 047 721)	(2 212 805)
Finance charges			(33 209)	(45 285)	(45 072)	(39 488)	(40 252)	(40 252)	(40 252)	(58 067)	(54 577)	(51 423)
Transfers and Grants		1	(6 484)	(19 893)	(32 510)	(37 053)	(38 294)	(38 294)	(38 294)	(40 650)	(40 655)	(42 823)
NET CASH FROM/(USED) OPERATING ACTIVITIES			158 989	173 454	185 178	199 977	235 447	235 447	235 447	224 984	328 931	301 100
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE			2 035	9 592	7 541							
Decrease (Increase) in non-current debtors			-	-								
Decrease (Increase) other non-current receivables			-	-								
Decrease (Increase) in non-current investments			(63 500)	-								
Payments												
Capital assets			(189 472)	(168 959)	(318 608)	(220 581)	(253 812)	(253 812)	(253 812)	(462 473)	(637 202)	(493 628)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(250 936)	(159 367)	(311 067)	(220 581)	(253 812)	(253 812)	(253 812)	(462 473)	(637 202)	(493 628)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans			-	-								
Borrowing long term/refinancing			41 504	-	190 994					239 500	340 479	256 000
Increase (decrease) in consumer deposits			789	958	727	(1 382)	0	0	0	0	(1 382)	(1 382)
Payments												
Repayment of borrowing			-	(10 605)	(19 445)	(21 945)	(21 945)	(21 945)	(21 945)	(28 621)	(29 188)	(22 425)
NET CASH FROM/(USED) FINANCING ACTIVITIES			42 293	(9 647)	172 277	(23 327)	(21 945)	(21 945)	(21 945)	210 879	309 910	232 193
NET INCREASE/ (DECREASE) IN CASH HELD			(49 655)	4 440	46 388	(43 931)	(40 310)	(40 310)	(40 310)	(26 610)	1 639	39 665
Cash/cash equivalents at the year begin:		2	88 991	39 336	43 775	66 654	67 577	67 577	67 577	27 267	657	2 296
Cash/cash equivalents at the year end:		2	39 336	43 775	90 163	22 723	27 267	27 267	27 267	657	2 296	41 961

The above table shows that cash and cash equivalents of the City remains positive from 2010/11, 2014/15 financial year and over the MTREF.

### 2.3.7 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

**Table 26 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	39 336	43 775	90 163	22 723	27 267	27 267	27 267	657	2 296	41 961
Other current investments > 90 days		0	0	0	-	0	0	0	-	-	-
Non current assets - Investments	1	35 968	38 244	47 108	44 620	54 543	54 543	54 543	62 084	70 667	80 390
<b>Cash and investments available:</b>		<b>75 304</b>	<b>82 019</b>	<b>137 271</b>	<b>67 343</b>	<b>81 810</b>	<b>81 810</b>	<b>81 810</b>	<b>62 740</b>	<b>72 962</b>	<b>122 351</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		10 438	13 874	8 447	8 447	8 447	8 447	8 447	-	-	-
Unspent borrowing		-	-	-	14 731	23 221	23 221	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(15 131)	35 530	(28 816)	(33 889)	(44 148)	(44 148)	(44 148)	(99 369)	(128 734)	(122 315)
Other provisions											
Long term investments committed	4	56 029	59 323	46 659	71 268	54 543	54 543	54 543	62 084	70 667	80 390
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>51 336</b>	<b>108 726</b>	<b>26 290</b>	<b>60 557</b>	<b>42 063</b>	<b>42 063</b>	<b>18 842</b>	<b>(37 286)</b>	<b>(58 067)</b>	<b>(41 925)</b>
<b>Surplus(shortfall)</b>		<b>23 968</b>	<b>(26 708)</b>	<b>110 981</b>	<b>6 786</b>	<b>39 747</b>	<b>39 747</b>	<b>62 968</b>	<b>100 026</b>	<b>131 029</b>	<b>164 276</b>

From the above table it can be seen that the cash and investments available total R94 million in the 2014/15 financial year and slightly increases over the MTREF Financial year, including the projected cash and cash equivalents as determined in the cash flow forecast.

**The following is a breakdown of the application of this funding:**

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. **Any underperformance in relation to collections could place upward pressure on the ability of the City to meet its creditor obligations.**

- Long term investments consist primarily of the sinking funds for the repayment borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.
- It should be noted that the City has a surplus against the cash backed and accumulated surpluses. **Nevertheless from a cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible.**
- **The challenge for the Mogale City will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate and expenditure management.**
- **The municipality has no cash reserves which is a serious concern and should be considered a strategic risk to the financial stability of the City.**
- The 2014/15 MTREF has been informed by ensuring that the financial plan meets the minimum requirements of the MFMA. The challenge for Mogale City will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate and high expenditure rate which is the case now.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

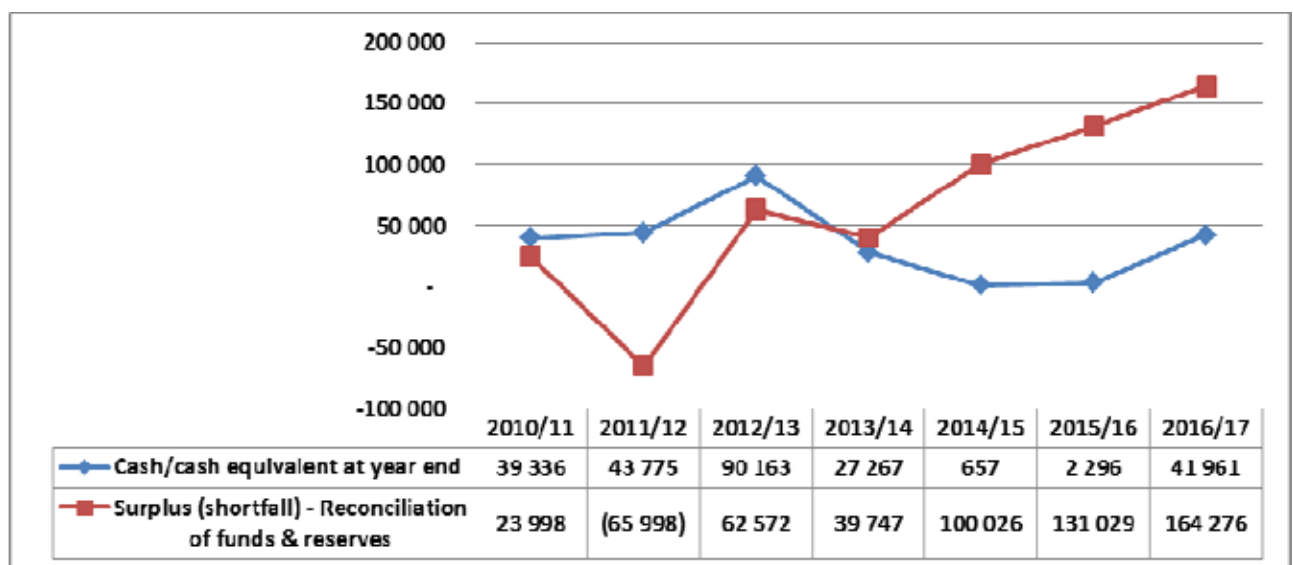


Figure 12 Cash and cash equivalents / Cash backed reserves and accumulated funds

## **2.4 Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### **1. In year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

### **2. Internship programme**

The City is participating in the Municipal Financial Management Internship programme since March 2004 to May 2013, currently Mogale City have absorbed permanently all five interns. During the 2013/14 financial year employed 5 interns to undergo training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the City has successfully employed and trained twenty four interns through this programme and majority of them were appointed either in Mogale City.

### **3. Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

### **4. Audit Committee**

An Audit Committee has been established and is fully functional and from 2013/14 financial year Mogale City is utilizing shared district audit committee.

### **5. Service Delivery and Implementation Plan**

The SDBIP content is based on the draft IDP, strategic plan objectives outlined. The SDBIP targets are based on the January 2014 strategic Plan will be tabled when tabling the draft budget as per. Regulation 15(3) (b) of the Budget Regulations (2009) of the MFMA.

### **6. Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

### **7. Policies**

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.



## 2.5 Municipal manager's quality certificate

I Dan Mashitisho, Municipal Manager of Mogale City, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Dan Mashitisho

Municipal Manager of Mogale City (GT481)

Signature\_\_\_\_\_

Date\_\_\_\_\_